PRACTICEBOOK OF ECONOMIC & SOCIAL DEVELOPMENT AND AGRICULTURE

For Civil Services Prelims Examination

(More Than 1100 Topic Wise Solved Objective Practice Questions)

PRACTICEBOOK

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PRACTICEBOOK OF
ECONOMIC & SOCIAL DEVELOPMENT AND AGRICULTURE

For Civil Services Prelims Examination

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Changes in this Edition:

1. Fully updated as per the latest pattern and trend of questions being asked in recent years of UPSC CSE.
2. Facts and Figures have been updated as per the latest information available.

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ECONOMIC & SOCIAL DEVELOPMENT

BASICS OF ECONOMY

1.1. Core Economics and Growth

1. With reference to various economics terms, consider the following pairs:

Terms	Examples
1. Consumer Durables	Industrial robots used in computer assembly
2. Intermediate Goods	Steel used in car manufacturing
3. Final Goods	Bread sold to households
4. Capital Goods	Personal laptops.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

2. With reference to various curves representing a relation between macroeconomic indicators, consider the pairs:

Curves	Description
1. Lorenz Curve	Represents a relationship between Tax rate and Tax revenue collected.
2. Kuznets Curve	Represents a relationship between economic growth and economic inequality.
3. Phillips Curve	Represents a relationship between Inflation and Purchasing Power of money.

How many pairs above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

3. The concept of 'Invisible hand' in relation to an economy entails which of the following?

(a) An unobservable market force that helps the demand and supply of goods to reach equilibrium automatically.
(b) Unregistered firms in a market which destabilise the market equilibrium by their distortive price policies.
(c) Invisible role of Government in controlling the production of goods to maintain the market equilibrium.
(d) Distortions in the demand-supply curve in a market due to hoarding and black-marketing of goods.

4. Under which of the following circumstances, the behaviour of a consumer generally can be said to be monotonic?

(a) When greater consumption of a commodity always offers him a higher level of satisfaction.
(b) When greater consumption of a commodity always offers him a lower level of satisfaction.
(c) When lesser consumption of a commodity always offers him a lower level of satisfaction.
(d) When lesser consumption of a commodity always offers him a higher level of satisfaction.

5. Consider the following statements:

1. Setting a price ceiling below the equilibrium price results in a situation of excess demand.
2. Setting a price floor above the equilibrium price results in a situation of excess supply.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

6. Consider the following features:

1. Homogenous products are produced by every firm in the market.
2. Labor, capital, and resources move freely in the market.
3. Firms can easily enter or leave the market.
4. Consumers have perfect knowledge about the market

How many of the above are features of the Perfect Competition Market?
(a) Only one
(b) Only two
(c) Only three
(d) All four

7. Consider the following:
1. There are no changes in the taste and preferences of consumers.
2. The income of consumers remains constant.
3. There are no changes in the price of substitute goods.

How many of the above are the assumptions that need to be considered while drawing the demand curve?
(a) Only one
(b) Only two
(c) All three
(d) None

8. With reference to the Opportunity Costs, consider the following statements:
1. It is the value of the next best alternative that is foregone when a decision is made.
2. It is based on the principle that resources are scarce and that every choice has a trade-off.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

9. Consider the following statements regarding Giffen Goods:
1. It is a luxury good with positive income elasticity.
2. Their demand increases when their price rises.

Which of the above statements is/are correct?
(a) 1 Only
(b) 2 Only
(c) Both 1 and 2
(d) Neither 1 nor 2

10. With reference to public goods, consider the following:
1. An Effluent Treatment Plant (ETP) installed by the Government.
2. Woollen cloths distributed by a municipal corporation to poor people living in shelter homes.
3. Food grains offered at ration shops.
4. Defence forces deployed to protect the boundary of a nation.
5. Establishment of public parks in Urban areas.

How many of the above are examples of public goods?
(a) Only two
(b) Only three
(c) Only four
(d) All five

11. Consider the following economic activities:
1. A nurse providing healthcare facilities to a patient.
2. Labor involved in the construction of a shopping mall.
3. Royal Enfield trying to design a new sports bike through research and development.
4. Ford Motors producing a new Mustang Car with a modified engine.
5. Tata Powers providing electricity to households.

How many of the above economic activities can be included in the Secondary Sector?
(a) Only two
(b) Only three
(c) Only four
(d) All five

12. With reference to Complementary Goods, consider the following statements:
1. If the price of a good increases, then the demand for its complementary good will increase simultaneously.
2. They compete with each other in an open market economy.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

13. During summer, cold drinks become more favorable to people. What is the likely impact of this situation on the demand curve for cold drinks?
(a) There is an upward movement along the demand curve.
(b) There is a leftward shift in the demand curve.
(c) There is a downward movement along the demand curve.
(d) There is a rightward shift in the demand curve.

14. In this market, there exist few sellers having large market shares. The firms are producing homogenous or differentiated products. Firms in this market are interdependent and a fall in the price of one firm affects the profits of all firms in the industry.

The above paragraph best describes which of the following markets?

(a) Perfect competition
(b) Monopoly
(c) Monopolistic competition
(d) Oligopoly

15. Which of the following can be considered to be feature(s) of perfect competition in a market?

1. Free entry and exit for the firms
2. Firm sets the price of goods and services
3. Perfect knowledge with buyers and sellers regarding goods and their prices

Select the correct answer using the code given below.

(a) 1 and 3
(b) 1 only
(c) 1 and 2
(d) 3 only

16. Consider the following types of goods:

1. Veblen goods
2. Giffen goods
3. Normal goods

For how many of the above does the demand for goods generally increase with the increase in the price of those goods?

(a) Only one
(b) Only two
(c) All three
(d) None

17. When the marginal utility is zero, the total utility is:

(a) at the maximum level.
(b) at the minimum level.
(c) zero.
(d) average of maximum and minimum utility.

18. The Easterlin Paradox is best described as:

(a) beyond a certain point, higher income does not necessarily lead to greater happiness.
(b) beyond a certain point, rapid economic growth leads to higher levels of inequality.
(c) beyond a certain point, higher income does not necessarily lead to higher levels of savings.
(d) beyond a certain point, higher income does not necessarily lead to higher levels of inflation.

19. With reference to Micro Economics, which of the following best describes the concept of Engel's Law?

(a) As income increases, the proportion of income spent on food decreases.
(b) As income increases, the proportion of income spent on food increases.
(c) As income increases, the proportion of income spent on luxury goods decreases.
(d) As income increases, the proportion of income spent on necessities remains constant.

20. Which of the following best describes the Environmental Kuznets Curve (EKC) hypothesis?

(a) Environmental quality improves initially with an increase in per capita income but declines after a certain income level is reached.
(b) Environmental quality consistently declines as per capita income increases.
(c) Environmental quality deteriorates initially with an increase in per capita income but improves after reaching a certain income level.
(d) Environmental quality consistently improves as per capita income increases.

21. In the context of free goods, consider the following statements:

Statement I: Air and sunlight are examples of free goods.

Statement II: Air and Sunlight are non-excludable and non-rivalrous.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct and Statement II explains Statement I.
(b) Both Statement I and Statement II are correct, but Statement II does not explain Statement I.
(c) Statement I is correct, but Statement II is incorrect.
(d) Statement I is incorrect, but Statement II is correct.

22. Which one of the following is an example of a price-ceiling?

(a) Fares charged by railways in India
(b) Maximum Retail Price printed on biscuit packets
(c) Minimum support price for rice in India
(d) Minimum wages fixed by State governments

23. Consider the following type of costs that are incurred by a firm while producing and selling goods:

1. Wages paid to workers
2. Rent on land
3. Commission paid to salesmen
4. Cost of raw materials
5. Loan repayments by the firm

Which of the costs given above are considered examples of variable costs?

(a) 2 and 5 only
(b) 1, 3 and 4 only
(c) 1, 2, 3 and 4
(d) 1, 3, 4 and 5

24. Consider the following statements about Monopolistic competition:

1. It refers to a kind of competition in which a large number of competitors exist, and they offer products which are similar but not perfect substitutes.
2. In this type of competition, consumption patterns of buyers determine the price at which the goods are sold in the market.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

25. With reference to micro economics, if both the demand and supply curves for a good shift rightward, how will the price of the good change?

(a) Definitely Increases
(b) Definitely Decreases
(c) Definitely Remains Constant
(d) May not be determined

26. Consider the following:

1. Bills Receivable
2. Debtors
3. Cash at Bank
4. Finished goods inventory
5. Raw materials

How many of the above assets are considered as part of Working Capital of a company?

(a) Only two
(b) Only three
(c) Only four
(d) All five

27. Public goods are an important concept in economic studies. In this context, consider the following statements with respect to Public Goods:

1. They are described as non-excludable.
2. They exhibit a non-rivalrous nature.
3. The production of public goods does not incur any opportunity cost.

How many of the statements given above are correct?

(a) Only one
(b) Only two
(c) All three
(d) None

28. When patents over a vaccine are granted to a single company, which of the following is most likely to result in the vaccine market, due to this decision?

(a) Monopsony
(b) Monopolistic competition
(c) Monopoly
(d) Oligopolistic competition

29. With reference to 'Production Possibility Frontier (PPF)', which of the following statements is correct?

(a) It demonstrates the ideal combination of goods and services that a country should produce to maximize profit.
(b) It illustrates how an economy can produce sustainably beyond its limits without facing any constraints.
(c) It reflects the trade-offs between production of different goods and services due to limited resources.
(d) It depicts a fixed scenario and remains unchanged regardless of alterations in resources or technological advancements, implying a constant optimal production combination.

30. Consider the following statements:

Statement-I: Adam Smith advocated that the government should play the role of an invisible hand in the economy.

Statement-II: Adam Smith supported the idea of free market.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement- I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

31. In the context of goods classification under microeconomics, which type of goods are likely to exhibit increased demand with an increased price?
(a) Veblen goods
(b) Complementary goods.
(c) Inferior goods
(d) Normal goods

32. Consider the following goods:
1. Essential Food items
2. Essential medicines/drugs
3. Luxury Cars
4. Petrol/diesel
5. Cigarettes

For how many of the above given goods, the price elasticity of demand is generally inelastic?
(a) Only two
(b) Only three
(c) Only four
(d) All five

33. Which one of the following statements best reflects the term 'Pent-up demand', which is often seen in the news?
(a) An artificially created demand for a product due to hoarding of goods.
(b) A sudden increase in demand for a product or service after a period of decreased spending.
(c) An increase in demand for a product or service due to higher government expenditure.
(d) A sudden increase in the production of a specific good due to a recent surge in its market price.

34. In the context of market dynamics, a rightward shift of the demand-supply curve signifies which of the following?
(a) A decrease in consumer demand for a product, leading to lower production levels.
(b) An increase in both demand and supply for a product due to many factors.
(c) An increase in the price of the product without any change in production or demand levels.
(d) A decrease in the cost of production that solely leads to an increase in supply without affecting demand.

35. In which of the following situations would opportunity cost be zero?
1. When there is no alternative use for the good.
2. When the economic cost of the good is zero.
3. When the good is a public good.

Select the correct answer using the code given below.
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

36. With reference to the types of goods in an economy, consider the following statements:

Statement-I: Coarse grains are considered as the inferior good in India.

Statement-II: As per the Engel's Law, as a household's income increases, the percentage of their income spent on food decreases.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-1
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-1
(c) Statement-1 is correct but Statement-II is incorrect
(d) Statement-I is incorrect Statement-II is correct

37. With reference to the various types of competition in a market, a 'perfectly competitive market' is one where:
1. the entry of firms into the market as well as exit from the market is free.
2. each firm is producing non-homogeneous and differentiated goods.
3. all the firms in the market are privately owned.
4. the prices are decided by the forces of demand and supply.
5. the market consists of a large number of buyers and sellers.

Which of the statements given above are correct?

(a) 1 and 4 only
(b) 1, 2 and 5
(c) 1, 4 and 5
(d) 2, 3 and 4

38. Consider the following statements:

Statement I: The Indian telecom sector is an example of an oligopolistic market structure.

Statement II: Indian telecom sector is largely dominated by few operators which influence the market supply and pricing of telecom services.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct, and Statement II explains Statement I.
(b) Both Statement I and Statement II are correct, but Statement II does not explain Statement I.
(c) Statement-I is correct, but Statement-II is incorrect
(d) Statement-I is incorrect, but Statement-II is correct

39. With reference to the concept of public goods in India, consider the following:

1. Rice distributed through Public Distribution System (PDS)
2. Unified Payments Interface (UPI)
3. National defense
4. Street lighting in an area

How many of the above are public goods?

(a) Only one
(b) Only two
(c) Only three
(d) All four

40. Which of the following statements regarding the Price Elasticity of Demand is correct?

(a) It is the maximum amount a consumer is willing to pay for an additional unit of a product.
(b) It is the amount of change in the demand for a good due to a change in its price.
(c) It is the change in the demand for a good due to a change in the purchasing power of the consumer.
(d) It is the practice of setting the price of a product equal to the extra cost of producing an extra unit.

41. With reference to Microeconomics, Marginal Propensity to Consume indicates:

(a) the proportion of total income spent on consumption.
(b) the proportion of income that is not consumed.
(c) the change in consumption resulting from a change in savings.
(d) the change in consumption resulting from a change in income.

42. This concept shows a curve on a graph that represents the maximum possible output combinations of two goods that can be produced in an economy, given a fixed set of resources and technology. The curve illustrates the trade-offs and opportunity costs of allocating resources between the two goods.

Which of the following is described in the above passage?

(a) Production possibility frontier
(b) Indifference curve
(c) Budget constraint
(d) Offer Curve

43. Consider the following statements:

1. Price ceiling refers to the government-imposed upper limit on the price of goods.
2. Price floor refers to the government-imposed lower limit on the price of goods.
3. Minimum Support Price for agricultural products is an example of a price ceiling, while Minimum Wage is an example of a price floor.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) 1, 2 and 3

44. With reference to economy, which of the following is the meaning of 'Price discrimination"?

(a) Increase in price of a commodity over time
(b) A situation where the same product is sold to different consumers for different prices
(c) A situation where Government imposes different rates of Indirect Tax on different categories of goods and services
(d) General decrease in price of a commodity over time

45. In the context of Indian economy, consider the following pairs:

Commodities	Their types
1. Kerosene	Inferior good
2. Laptop	Normal good
3. Milk	Veblen good

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

46. Consider the following statements:

Other things remaining unchanged, market demand for a good might increase if:

1. the number of consumers of a good in the market decreases.
2. the good is a Veblen good and its price increases.
3. the price of its complementary goods rises.
4. the good is an inferior good and the income of the consumers increases.

Which of the above given statements are correct?

(a) 1 and 3 only
(b) 2 only
(c) 1, 2 and 4 only
(d) 2, 3 and 4 only

47. The 'gross investment' of an economy most appropriately refers to which of the following:

(a) total money value of all the final goods and services produced in a year.
(b) total money value of all the capital goods produced in a year.
(c) total money invested in a country by non-resident investors.
(d) total money spent in an economy on the development of the social sector .

48. In the context of microeconomics, Rahn curve establishes a relationship between which of the following?

(a) Economic growth and government's spending as a per cent of GDP.
(b) Environmental degradation and stage of economic development.
(c) Cumulative portion of income to cumulative per cent of population.
(d) Relationship between income inequality and per capita income.

49. Consider the following pairs about various microeconomic terminologies:

Terminologies	Meaning
1. Private cost	It is a cost incurred by firm to purchase all the inputs required for the production.
2. Social cost	It is sum of private cost and cost to society arising from the production or consumption of goods and services.
3. Money cost	It is the total expense incurred by a firm to produce a commodity.

Which of the pairs given above are correctly matched?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

50. Consider the following pairs regarding types of market and their examples:

Types of market	Examples in real life
1. Monopoly	The Indian Railways
2. Oligopoly	Hotel industry in tourist places
3. Monopolistic Competition	Supermarkets
4. Perfect Competition	The agricultural market

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

51. Consider the following statements regarding common goods and public goods:

1. If one individual consumes public goods, their availability to other individuals is reduced.
2. Common goods can be consumed without reducing their availability to other individuals.
3. Both Public Goods and Common Goods are non-excludable in nature.

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Which of the statements given above are correct?
(a) 1 and 2 only
(b) 3 only
(c) 2 only
(d) 1 and 3 only

52. Which one of the following is not correct regarding the assumptions made in the law of demand?
(a) There are no changes in the taste and preferences of consumers.
(b) Income of consumers remains constant.
(c) The consumer expects a change in the price of the product in future and considers it in the present.
(d) There are no changes in the price of substitute goods.

53. Consider the following pair of type of economic goods and their description:

Goods	Description
1. Veblen good	goods whose consumption increases as the price increases
2. Inferior good	goods whose demand drops when people's incomes rise.
3. Giffen good	goods whose demand drops when people's incomes decrease

Which of the pairs given above is/are correctly matched?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

54. "It is a concept of microeconomics in which no individual or group can be made better off without making someone else worse off".

Which of the following options best describes the above microeconomic concept?
(a) Pareto Optimality
(b) Concept of Diminishing Marginal Utility
(c) Taylor Rule
(d) Paradox of Thrift

55. Consider the following economic situation:

"Suppose a family with an annual household income of Rs. 5,00,000 spends 25% of their income on food. After some time, their income doubles to Rs. 10,00,000. Consequently, the percentage of income spend on food purchases decreases, while the percentage spent on other things (such as education and recreation) increases."

Which of the following concepts most appropriately explain the above economic scenario?
(a) Laffer's Curve
(b) Varian Rule
(c) Engel's law
(d) Kuznets Curve

1.2. National Income

56. You often hear the terms 'recession' and 'depression' in relation to the movement of economies around the globe. In this context, how would you differentiate between recession and depression?
1. While demand may or may not decrease during a recession, there is always a general fall in total demand during a depression.
2. While the inflation rate decreases during a recession, depression is characterized by higher inflation.
3. Unlike recession, depression is characterized by a fall in the employment rate.
4. Depression typically lasts for a longer time than recession.

Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 3 and 4 only
(c) 4 only
(d) 1, 2 and 4 only

57. Which of the following statements is correct regarding the term *Green GDP*?
(a) It is the amount of investment made in sustainable activities in an economy.
(b) It is the value of goods and services only created by climate-friendly activities.
(c) It is the value of goods and services calculated after accounting for monetary loss due to environmental damage.
(d) It is the Gross Domestic Product (GDP) value created by the forest resources of a nation.

58. Which of the following statements best explains the Net Factor Income from Abroad?

(a) It is the net income earned by the Indians from various factors of production in abroad subtracted by the net taxes paid on the earned income in abroad.
(b) It is the net income earned by the Indians from various factors of production in abroad in addition to the net retained earnings from abroad.
(c) It is the net income earned by the Indians from various factors of production in abroad in addition to the transfer payments, gifts and donations from abroad.
(d) It is the net income earned by the Indians from various factors of production in abroad and deducting the net factor income earned by the foreigners in India.

59. With reference to the 'Concept of Depreciation', consider the following statements:

1. It is a measure to account for the reduction in value of capital goods due to their wear and tear.
2. Unexpected/sudden destruction of goods is not taken into account while calculating depreciation.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

60. Which of the following are the flaws in using the Gross Domestic Product as an index for the greater well-being of the people of a nation?

1. It does not take into account inequality in income.
2. It does not account for technological advancements
3. It excludes non-marketed activities.
4. It does not include externalities caused by an economic activity.

Select the correct answer from the code given below:

(a) 1,2 and 3 only
(b) 1 and 4 only
(c) 2,3 and 4 only
(d) 1,2,3 and 4

61. With reference to National Income Accounting, consider the following statements:

1. Personal Income is the actual income which can be spent on consumption by individuals and families.
2. Disposable Income is India's Net National Product at factor cost excluding the current transfers from the world.
3. Transfer payments are not a part of the Gross Domestic Product (GDP) of a country.

Which of the above given statements is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 2 only
(d) None of the above

62. With reference to Macro-economic indicators, consider the following statements:

1. While Gross Value Added (GVA) gives the economic output from the consumer's side, Gross domestic product (GDP) gives it from the producer's side.
2. The United Nations System of Accounts currently does not differentiate between product and production taxes.
3. Production subsidies are independent of the volume of actual production.

Which of the above given statements is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 2 only
(d) 2 and 3 only

63. Which of the following statements regarding Gross National Income is correct?

(a) It includes the income of all of the country's residents and businesses whether it flows back to the country or is spent abroad.
(b) The World Bank classifies countries on the basis of income levels using Gross National Income.
(c) GNI can never be higher than GDP even if a country receives a larger amount of foreign aid.
(d) GNI does not take into account any type of taxes or subsidies.

64. With reference to the present status of the calculation of Gross Domestic Product (GDP) of India, consider the following statements:

1. At present, the National Statistical Office (NSO) is responsible for providing advance estimates of GDP figures in India.
2. The base year for GDP calculation at present is 2017-18.
3. GDP calculated at market prices represents the National Income of India.

Which of the above given statements is/are correct?

(a) 1 only
(b) 1 and 3 only
(c) 3 only
(d) 1 and 2 only

65. If the Gross Domestic Product (GDP) of a country is increasing constantly, what does it indicate?

1. It shows a necessary increase in the overall standard of living and well-being of a country.
2. It could mean growth in the consumption rate of the country.
3. It necessarily means the continuous increase in exports of the country.

Select the correct answer using the codes given below:

(a) 1 and 2 only
(b) 3 only
(c) 2 only
(d) 2 and 3 only

66. With reference to 'Economic Growth of a Country', consider the following pairs:

Economic Recovery Type	Significance
1. Z-shaped recovery	Economy, after falling, struggles around a low growth rate for some time, before rising gradually to usual levels.
2. L-shaped recovery	Economic growth recovers sharply after a fall
3. W-shaped recovery	Rise and fall of economic growth are witnessed

Which of the pairs given above is/are correctly matched?

(a) 1 and 3 only
(b) 2 only
(c) 2 and 3 only
(d) 3 only

67. Consider the following statements with reference to Economic Growth and Economic Development:

1. Unlike Economic Growth, Economic Development does not require changes in income, savings and investments in an economy.
2. An increase in government spending can foster Economic Growth while a reduction in income inequality may indicate Economic Development.
3. Unlike Economic Growth, Economic Development is measured by quantitative factors such as an increase in real GDP.

Which of the above given statements is/are correct?

(a) 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1 and 2 only

68. 'Base year' in National Income accounting means:

(a) The year whose income is being used to calculate the nominal GDP
(b) The year whose prices are being used to calculate the nominal GDP
(c) The year whose prices are being used to calculate the real GDP
(d) The year whose income is being used to calculate the real GDP

69. Consider the following statements:

Statement-I: The per capita income of a country most efficiently highlights the equitable distribution of income among its people.

Statement-II: The average income per person in a country is called its per capita income.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation of Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation of Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

70. Which of the following statements accurately reflects the relationship between the value of transactions and nominal & real GDP, where the value of transactions refers to the total monetary value of all goods and services exchanged in the economy during a specific period?

(a) The value of transactions is inversely proportional to real GDP but directly proportional to nominal GDP.
(b) The value of transactions is inversely proportional to nominal GDP but directly proportional to real GDP.
(c) The value of transactions has no bearing on nominal GDP or real GDP.
(d) The value of transactions is directly proportional to both nominal GDP and real GDP.

71. Gross Domestic Product (GDP) measures the total value of all final goods and services produced within a country's domestic territory. In this context, consider the following territories/entities:

1. Territorial waters of the country.
2. Oil rigs operated by the residents of the country in international waters.
3. Country's embassies located in other countries.
4. Military establishments of the country located in other countries.
5. A domestic company operating in another country.

For the calculation of GDP, domestic territory of a country includes how many of the above?

(a) Only two
(b) Only three
(c) Only four
(d) All five

72. The Expenditure Method is one of the ways to calculate Gross Domestic Product (GDP) of a country. In this context consider the following items:

1. Expenditure on intermediate products.
2. Expenditure on gifts and donations.
3. Expenditure incurred on purchase of secondhand goods.
4. Expenditure on purchase of bonds and shares.

How many of the items given above are ***not*** counted as expenditure under the Expenditure Method of calculation of national income?

(a) Only one
(b) Only two
(c) Only three
(d) All four

73. In the context of Indian economy, if the government increases taxes and reduces subsidies then which of the following will be true?

(a) The gap between GDP and GVA increases.
(b) The gap between GDP and GVA decreases.
(c) The gap between GDP and NDP will increase.
(d) The gap between GDP and NDP will decrease.

74. GDP Deflator helps in better understanding of economic situation in a country. In this context, consider the following statements about GDP Deflator:

1. It reflects the price levels of domestically produced final goods and services in an economy.
2. It can be used as a tool to measure inflation in an economy.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

75. Through which of the following ways, can inclusive growth be brought in India?

1. Encourage job creation in the formal sector
2. Strengthen accountability within the education sector
3. Foster investment by promoting responsible business conduct
4. Empower local governments to take responsibility for infrastructure projects

Select the correct answer using the code given below.

(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 2 and 4 only
(d) 1, 2, 3 and 4

76. Which one of the following statements refers to a "Goldilocks scenario" for an economy?

(a) An economic situation where the economy is experiencing high inflation and low employment growth.

(b) A period of rapid economic expansion, followed by a severe contraction in the economy.
(c) An economy undergoing deflation and high rates of unemployment.
(d) An economic condition characterized by moderate economic growth, low inflation rate, and low unemployment rate.

77. In the context of current scenario of Indian economy, consider the following statements:

Statement-I: India is the third largest economy in the world in terms of Purchasing power parity (PPP).

Statement-II: India has the third highest Gross Domestic Product (GDP) per capita among all countries in the world.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement- I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

78. Which of the following represents the Disposable Income for an individual or household?
(a) The income remaining after subtracting the taxes and savings contributions from the total income.
(b) The income remaining after deducting taxes from the total income.
(c) The income remaining after paying for necessities such as taxes, housing and food from the total income.
(d) The proportion of total income that is subjected to taxation after allowable deductions, exemptions, and credits are subtracted.

79. Consider the following:
1. Higher investment in Infrastructure
2. Reduced dependency on foreign capital for domestic investments
3. Low bond yields

How many of the above can be the possible outcomes of high saving rates in an economy?
(a) Only one
(b) Only two
(c) All three
(d) None

80. Consider the following:
1. Acquisition of defense equipment
2. Purchase of draught animals
3. Expenditure on net acquisition of valuables
4. Planting and cultivating new orchards
5. Purchase of durable goods by households

With reference to the Indian economy, how many of the above indicates increase in the Gross capital formation (GCF)?
(a) Only two
(b) Only three
(c) Only four
(d) All five

81. Which of the following best describes the concept of paradox of thrift?
(a) The tendency for individuals to save more during economic downturns, which can lead to a decrease in overall demand and further economic decline.
(b) The notion that government spending is more effective than individual saving in stimulating economic growth.
(c) The idea that excessive saving by individuals can sometimes result in inflation due to decreased supply of goods and services in the market.
(d) The phenomenon that a surge in overall saving rates across the economy can lead to an increase in interest rates.

82. Consider the following items:
1. Net compensation of employees
2. Net Interest on External grants
3. Net income from property and entrepreneurship

How many of the above items are taken into account for calculating Net Factor Income from abroad (NFIA)?
(a) Only one
(b) Only two
(c) All three
(d) None

83. Consider the following statements:

Statement-I: ICOR (Incremental Capital Output Ratio) has been decreasing consistently for the last five years in India.

Statement-II: A lower ICOR indicates more efficient and productive use of capital.

Which of the given statements above is/are correct?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

84. Which one of the following statements best reflects the crux of 'Technical Recession' in an economy?

(a) It is a period of significant, widespread, and prolonged downturn in economic activity.
(b) It is a situation where there is only one quarter of negative economic growth.
(c) It represents two consecutive quarters of negative growth in a country's real GDP.
(d) It is a downturn in economic activity caused by a single event lasting for a short duration.

85. Consider the following statements about Net Domestic Product (NDP):

1. It is the market value of all final goods and services produced by the citizens of a country during a specific period.
2. excludes the value of depreciation of capital goods.
3. It is always greater than Gross Domestic Product (GDP).

Which of the pairs given above is/are correctly matched?

(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

86. In the context of regulating prices in the market, 'price floor' best refers to which one of the following?

(a) The highest price at which consumers are willing to purchase a product.
(b) A government imposed a minimum price for a good or service.
(c) SEBI imposed a minimum price of shares for an Initial Public Offering (IPO).
(d) The highest price of a product set by the producers to maximize profits.

87. In the context of national income accounting in India, consider the following indicators:

1. Gross Domestic Product (GDP)
2. Net Domestic Product (NDP)
3. Gross National Product (GNP)
4. Net National Product (NNP)

In which of the above indicators, will the income of a foreign citizen residing in India be included?

(a) 1 and 2 only
(b) 3 and 4 only
(c) 1 only
(d) 3 only

88. In the context of asset management, 'amortization' best refers to which one of the following?

(a) Reduction in value of fixed assets over specified time due to wear and tear.
(b) The process of gradually paying off a loan in pre-determined tenure.
(c) Writing off the cost of intangible assets over a specified period.
(d) Government's regular debt repayment at lower interest rates.

89. In the context of measurement of development of a nation, consider the following factors:

1. Cost of environmental degradation.
2. Unpaid household work.
3. Lost leisure time
4. Recognizing Economic Resilience.

How many of the above-mentioned factors are included in the calculation of Genuine Progress Indicator (GPI), making it a better Indicator of the development of a nation than the Gross Domestic Product (GDP)?

(a) Only one
(b) Only two
(c) Only three
(d) All four

90. Consider the following statements:

In a functional economy,

1. National Income at market price is always higher than National income at factor cost.
2. Real Gross Domestic Product is generally higher than Nominal Gross Domestic Product.
3. Gross National Product at market price is generally higher than Net National Product at market price.

Which of the pairs given above is/are correctly matched?

(a) 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

91. Which of the following steps is a government unlikely to take during a recession?

(a) Following a dovish monetary policy.
(b) Increasing public expenditure to boost economic activity.
(c) Imposing restrictions on exports to preserve domestic resources.
(d) Providing tax incentives to encourage investment.

92. Consider the following features:

1. Rising level of unemployment in an economy.
2. Stagnant growth in spite of higher consumer spending.
3. Increased Non-Performing Assets in Banking sector.
4. Rise in inflation and interest rates in an economy.

How many of the above features are associated with Recession in an economy?

(a) Only one
(b) Only two
(c) Only three
(d) All four

93. Under which of the following conditions would a nation's Gross National Product (GNP) be higher than its Gross Domestic Product (GDP)?

(a) When the inflow of Foreign Direct Investment (FDI) is greater than the outflow of FDI.
(b) When the value of exports is greater than the value of imports.
(c) When the Net Factor Income from abroad is positive.
(d) When the total government spending is higher than total tax revenues.

94. With reference to Base year, consider the following statements:

1. The base year for GDP calculation in India currently is 2022-2023.
2. It is changed periodically to capture the structural changes in the country,
3. The Office of Economic Advisor, Ministry of Commerce and Industry announces the base year periodically for India's national accounts.

Which of the statements given above is/are correct?

(a) 2 only
(b) 1 and 2
(c) 3 only
(d) 2 and 3

95. Consider the following statements about Net Domestic Product (NDP) and Gross Domestic Product (GDP):

Statement I: In a functional economy, NDP is always less than GDP.

Statement II: Depreciation (consumption of fixed capital) is subtracted from GDP to calculate NDP.

Statement III: Net Factor Income from Abroad (NFIA) is subtracted from GDP to calculate NDP.

Which of the above is correct in respect of the above statements?

(a) Both Statement II and Statement III are correct and both of them explain Statement I.
(b) Both Statement II and Statement III are correct, but only one of them explains Statement I.
(c) Only one of the Statement II and III is correct and that explains Statement I.
(d) Neither Statement II nor Statement III is correct.

96. The term 'Middle Income Trap' often seen in the news refers to:

(a) the direct shift of the labour force from the primary to the service sector as seen in middle-income economies.
(b) the rapidly growing economies stagnant at middle-income levels and struggle to attain high income status.
(c) the belief in the middle class that they bear a larger burden of income tax that is paid to the government, compared to the lower and higher class.
(d) the inability of the middle class to get the benefit of government subsidies, due to their income.

97. One of the following graphical representations of economics highlights that an increase in the per capita income of a country does not cause much of a rise in the average life expectancy of its population, after a certain point. This is because there is a natural limit to human lifespan. Which among the following is that graphical representation?

(a) J-Curve
(b) Lorenz Curve
(c) Preston Curve
(d) Laffer Curve

98. Which of the following scenarios would lead to an increase in the gap between market prices and factor costs while estimating national income?

(a) An increase in direct taxes and a decrease in subsidies.
(b) An increase in indirect taxes and a decrease in subsidies.
(c) A decrease in direct taxes and an increase in subsidies.
(d) Both indirect taxes and subsidies are increased in the same amount.

99. The Kuznets Curve represents the relationship between economic growth and income inequality. Which one of the following statements best describes this relationship?

(a) Income inequality continuously decreases with economic growth.
(b) Income inequality continuously increases with economic growth.
(c) Income inequality first increases and then decreases with economic growth.
(d) Income inequality remains constant with economic growth.

100. In the context of Indian economy, consider the following statements:

Statement I: The GDP deflator is generally considered a more comprehensive measure of inflation than the Consumer Price of Index.

Statement II: With respect to the GDP deflator the weight of basket of goods can change and depends on the market value of the total consumption of each good every year.

Statement III: The GDP deflator takes into account imported goods and services while calculating inflation.

Which one of the following is correct in respect of the above statements?

(a) Both Statement II and Statements III are correct and both of them explain Statement I.
(b) Both Statement II and Statement III are correct but only one of them explains Statement I.
(c) Only one of Statements II and III is correct and that explains Statement I.
(d) Neither Statement II nor Statement III is correct.

101. Which of the following best describes the chain-based mechanism of GDP calculation?

(a) It calculates the value of goods and services produced this year using the fixed base year which is revised every five years.
(b) It calculates the value of goods and services produced this year without adjusting it with base year only adjusting the changes in the money supply.
(c) It calculates the value of goods and services produced this year using the prices these goods and services cost last year.
(d) It calculates the value of goods and services produced this year without adjusting it with the base year.

102. Which of the following best describes the meaning of Potential GDP?

(a) The maximum level of output of an economy predicted based on current government spending and fiscal policies.
(b) The maximum level of output an economy can achieve during a period of peak economic growth, regardless of inflationary pressures.
(c) The maximum level of output an economy can produce when factors of production such as labor, capital, and technology etc. are fully and efficiently utilized, without causing excessive inflation.
(d) The actual level of output of an economy during a specific financial year, adjusted for inflation.

103. Consider the following statements regarding the demerits of Gross Domestic Product (GDP):

1. It does not differentiate between developmental and non-developmental government expenditure.
2. It excludes from its calculation, the profits earned domestically by foreign companies.
3. It does not account for income inequality and environmental degradation.
4. It does not consider unpaid domestic work like household labor and caregiving.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 3 and 4
(d) 1, 2, and 4

104. The Misery Index is an economic indicator that measures the level of economic distress felt by the general public. It is calculated based on which of the following factors?

(a) Inflation and unemployment
(b) Climate change and natural disasters
(c) Fiscal deficit and public debt
(d) Income inequality and poverty

105. With reference to Purchasing Power Parity (PPP), consider the following statements:

1. It is based on the principle that identical goods have the same price across countries when expressed in a common currency.
2. Currently, India is the third largest economy in the world in terms of Purchasing Power Parity.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

106. Consider the following statements:

Statement - I: The Net Domestic Product (NDP) is not usually used to compare economic productivity of two or more countries.

Statement - II: The rate of depreciation of economic assets may vary across different countries.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement- II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

107. Consider the following:

1. Income earned by an Indian working in the USA.
2. Money earned by Indian residents by selling a second-hand car.
3. Fees earned by a lawyer practicing in India.
4. Profit earned by a company through manufacturing and selling of new smartphones in India.

How many of the above are included while calculating Gross Domestic Product (GDP) of India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

108. Gini index or Gini coefficient is used to measure which of the following:

(a) the balance of trade between exports and imports in a nation's economy.
(b) the unemployment rate within a nation.
(c) the relationship between inflation and unemployment over a period in a nation.
(d) the extent of income inequality among the population of a nation.

109. With reference to the present status of Indian economy, consider the following statements:

Statement-I: According to the World Bank, India is a 'lower-middle-income' country.

Statement-II: The per capita gross national income of India is less than $1,145 per annum.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

110. Consider the following personalities:

1. Dadabhai Naoroji
2. William Digby
3. Findlay Shirras
4. V.K.R.V. Rao

How many of the above made attempts to measure national income/per capita income during the colonial period in India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

111. With reference to Indian economy, consider the following:

Gross National Product (GNP) can be derived from Gross Domestic Product (GDP) by:

1. Addition of Net Factor income from abroad to GDP

2. Deduction of depreciation from GDP
3. Adjustment of inflation to GDP

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) None of the above

112. Consider the following statements:

Statement - I: Increase in indirect taxes by the Government may not be reflected into the value of national income at factor cost.

Statement - II: In India, the national income is measured at factor cost rather than market prices.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

113. Which of the following are most likely to occur if the personal disposable income of residents in a country increases?

1. Increase in the direct tax revenue of the government.
2. Increase in consumption expenditure.
3. Increase in the fiscal deficit of the government.
4. Increase in household savings.

Select the answer using the code given below:

(a) 1, 2 and 4
(b) 2, 3 and 4
(c) 1 and 3 only
(d) 2 and 4 only

114. Consider the following factors regarding a country:

1. Increase in the production of goods and services
2. Rise in the general price levels (inflation)
3. Technological upgradation
4. Reduction in the tax rates

How many of the above factors would definitely contribute to an increase in a country's nominal GDP?

(a) Only one
(b) Only two
(c) Only three
(d) All four

115. National income of a country is equal to its domestic income in which of the following types of economies?

(a) Closed economy
(b) Open economy
(c) Mixed economy
(d) Planned economy

116. There are certain limitations in using Gross Domestic Product (GDP) as an indicator of economic growth in an economy. Which of the following statements correctly refer to those limitations?

The Gross Domestic Product (GDP) does not account for:

1. negative externalities occurring in the economy
2. income inequality within a country
3. value of non-marketed activities

Select the correct answer using the code given below:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

117. If Gross Domestic Product (GDP) deflator value of a country is greater than 1, what does it indicates:

(a) an increase in the prices of goods and services compared to the base year
(b) a decrease in the prices of goods and services compared to the base year
(c) an increase in the overall production of goods and services from base year
(d) a decrease in the overall production of goods and services from base year

118. Which of the following correctly represents the Gross Domestic Product gap?

(a) It is the gap between real and nominal GDP.
(b) It represents the gap between GDP and GNP.
(c) It is the gap between GDP at factor cost and GDP at market price.
(d) It represents the gap between actual and potential GDP.

119. Consider the following pairs with reference to components of expenditure method of national income calculation:

Component	Example
1. Consumption	Purchasing new car by an Indian resident
2. Investment	Purchase of land for business
3. Government Spending	Money spent on primary education by Government of India

Which of the pairs given above are correctly matched?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

120. Which among the following statements is/are correct regarding the Gross Value Added in the Economy?
1. It is a measure of the contribution to GDP made by an individual producer, industry or sector.
2. It gives the picture of the state of the economy from the consumers' side.

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

121. With reference to Net National Product (NNP) consider the following statements:
1. It takes into account the depreciation of capital goods.
2. It includes income earned by citizens from abroad.
3. It considers income generated in the informal sector of the economy.

Which of the statements given above is/are correct?
(a) 1 and 3 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

122. Consider the following statements with reference to the concept of Market price and Factor cost used in relation to the estimation of Gross Domestic Product (GDP):
1. GDP at Market price is always greater than GDP at Factor cost.
2. At present, GDP of India is calculated at factor cost only.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

123. What is Gross Investment in an economy?
(a) The total investment made to the fixed assets of economy for a given year.
(b) The total investment by the government in infrastructure for a given year.
(c) The total investment made to the capital stock of economy for a given year.
(d) The total investment made in the stock market of the economy for a given year.

124. Who is responsible for calculating GDP in India?
(a) Reserve Bank of India
(b) Department of Economic Affairs
(c) National Statistical Office
(d) Chief Economic Advisor

125. With reference to Genuine Progress Indicator (GPI), which of the following statements is/are incorrect?
1. It takes into account the negative impacts of the economic activities on environment and society.
2. GPI per capita is always less than GDP per capita.

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

126. With reference to concept of 'base year' used in National Income Accounting in India, consider the following statements:
1. The base year is revised every 10 years.
2. The present base year for national income accounting is 2011-12.
3. The Ministry of Statistics and Programme Implementation (MOSPI) is the ministry responsible for deciding the new base year.
4. Periodical revision of base year is needed to better capture the structural changes in the economy.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 4 only
(c) 2, 3 and 4 only
(d) 1, 3 and 4 only

127. Which of the following items are not included in the calculation of GDP?
1. Milk used for producing sweets
2. Purchase of license of a computer software.
3. Sell of country-gun to mafia on darknet
4. Purchase of second-hand vehicle
5. Purchase of a new house

Select the correct option from the code given below:
(a) 1, 2 and 3 only
(b) 1, 3 and 4 only
(c) 2, 3 and 5 only
(d) 1, 4 and 5 only

128. Consider the following statements about the Income method of National Income Accounting:
1. The income method includes goods meant for self-consumption by the producer.
2. Wages and salaries paid in kind are not included in the national income accounting by this method.
3. It includes income from a rented house but doesn't count in the theoretical rent (imputed rent) to be paid by the owner to himself.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

129. Consider the following statements about the economic concept 'Green GDP':
1. It adjusts the nation's Gross Domestic Product (GDP) for environmental deterioration and depleting natural resources.
2. Green GDP accounting in India is done by the National Statistics Office (NSO).

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

130. The term "Wealth effect" represents an economic theory in which-
(a) Overall demand rises due to an increase in GDP.
(b) Individual spends more due to perception of increased disposable income.
(c) Per capita income increases due to the increase in the price of assets.
(d) Value of stocks decline in bear market.

131. Which among the following is correct method to arrive at the Disposable Personal income?
(a) It is the income available for household consumption, savings, and spending after accounting for income tax.
(b) It is the income available for household consumption, savings, and spending before accounting for income tax.
(c) It is the income available for only consumption after savings and investments.
(d) It is the income available for household consumption before accounting for any other expense.

1.3. Planning in India

132. In the wake of India's Balance of Payment (BoP) crisis of 1991, which among the following were the steps taken by the government to overcome it?
1. Devaluation of Rupee
2. Liberalising the system of industrial licensing
3. Borrowing from international organizations.
4. Increase in Cash Reserve Ratio

Select the correct option using the code given below.
(a) 1,2 and 3 only
(b) 3 and 4 only
(c) 1,2 and 4 only
(d) 1,2,3 and 4

133. With reference to Industrial Policy of 1991, consider the following statements:
1. Decrease in the number of industries which were reserved for the Government.
2. Individual foreign investment in the security market had been allowed.
3. Polluting industries to be set up at least 25 kms away from the million cities.
4. It encouraged foreign investments (FI) in India.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1, 2 and 3 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

134. Consider the following:
1. Rapid industrialization with a focus on heavy industries and capital goods.
2. Launch of price wage policy to check the negative impact of inflation on the wage-earners.
3. Focus on poverty reduction through Integrated Rural Development Program (IRDP).

How many of the above were the key features of the Mahalanobis Model of the Indian Economy?
(a) Only one
(b) Only two
(c) All three
(d) None

135. Regarding the Annual Plans adopted in India, which of the following statements is *incorrect*?
(a) India resorted to annual planning just twice in the history of economic planning after independence.
(b) The annual plans were called Plan Holidays during 1966 to 1969.
(c) The highest allocation during annual plans of 1966-1969 was made to industry and minerals.
(d) The annual plans of 1990-1992 were due to the balance of payment crisis.

136. With reference to the local level planning in India, consider the following statements:
1. It was brought to practice for the first time only after the 73rd Constitutional Amendment Act, 1992.
2. The Constitution provides for the establishment of District Planning Committees to consolidate the plans prepared by the Panchayats and the Municipalities.
3. The Community Development programme began in India on the recommendation of Ashok Mehta committee.

Which of the statements given above is/are correct?
(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

137. Consider the following statements regarding "Indicative Planning":
1. It recognises consumers' sovereignty and producers' freedom while achieving the targets.
2. In indicative planning, the State plays a marginal role in the economy.
3. Third Five Year Plan in India denotes India's transition towards indicative planning.

Which of the statements given above is/are correct?
(a) 2 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

138. Arrange the following in their chronological order:
1. First Five Year Plan was submitted to Parliament.
2. The National Development Council was set up.
3. The first devaluation of Indian currency after independence took place.
4. India became a member of the International Monetary Fund (IMF).

Select the correct answer with the codes given below:
(a) 2, 4, 1, 3
(b) 4, 3, 1, 2
(c) 1, 2, 3, 4
(d) 2, 4, 3, 1

139. Which one of the following is *not* a reason for the phenomenon of jobless growth witnessed in India?
(a) Jump from primary to tertiary sector in sectoral reallocation of economic activity.
(b) Growth in capital-intensive sectors rather than labour-intensive sectors.
(c) Lack of focus on higher education.
(d) Poor manufacturing output growth and productivity.

140. Consider the following statements with regard to the Land Reforms in India:
1. The First Five-Year Plan included the policies of land reforms.
2. The abolition of the zamindari system was an important aspect of the land reforms.
3. Tenancy laws were uniformly implemented throughout India.

Which of the statements given above are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

141. After independence, India adopted the model of planned economy. In this context, consider the following statements regarding 'planning' in India:

1. The Planning Commission of India was established to ensure the efficient utilization of resources by formulating and implementing economic plans.
2. The First Plan (1951-56) assumed that an increase in the savings rate would hamper investments in the economy.
3. The Second Plan (1956-61) focused on rapid industrialization through the promotion of heavy and basic industries.
4. The actual growth rate exceeded the targeted growth rate in both the First and the Second Plans.

Which of the statements given above are correct?

(a) 1 and 2
(b) 2 and 4
(c) 1 and 3
(d) 3 and 4

142. Consider the following statements regarding the early phase of planning in India:

Statement-I: The policy of Import Substitution aimed at protecting domestic industries by raising tariffs and prescribing quotas on imported goods.

Statement-II: Competition from imports promotes efficiency in a nation's own production systems.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

143. With reference to the State of the Indian Economy between 1951-1991, which of the following statements is *incorrect*?

(a) Public Sector Enterprises held monopolies in certain sectors, such as telecommunications.
(b) Every businessman had to obtain a license from the government in order to start, close, and diversify his business.
(c) Small-Scale industries were promoted and protected from foreign competition.
(d) The contribution of the industrial sector to the overall GDP decreased significantly from 1951 to 1991.

144. With reference to the New Economic Policy of 1991, which of the following statements is *incorrect*?

(a) Industrial licensing was abolished in the electronics and aerospace sectors.
(b) Direct taxes such as Income tax and corporation taxes were reduced as compared to the pre-1991 era.
(c) The foreign investment limit in private banks was raised to 74%.
(d) Import licensing and quantitative restrictions on agricultural and consumer goods imports were abolished.

145. Consider the following statements about the Status of Agriculture during British Rule in India:

1. The Sunset Clause of the Permanent Settlement Act encouraged the Zamindars to only collect rent and ignore the plight of farmers in Bengal.
2. The low level of investment by the Colonial Government in agriculture technology led to dismal levels of agricultural productivity.
3. Less or no efforts towards flood control, drainage and desalinization of soil led to spread of barren agricultural fields.
4. Low return on food crops incentivized the majority of the farmers and sharecroppers to invest their resources in cash crops.

Which of the above given statements are correct?

(a) 2 and 3 only
(b) 1, 3 and 4 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

146. Which of the following is *incorrect* regarding the development of the Indian industry during the colonial period?

(a) Fort Gloster Mill at Calcutta was the first cotton mill to be established in India.
(b) The first passenger train was introduced in India from Bombay to Thane in 1853.
(c) The Tata Iron and Steel Company (TISCO) was the first iron and steel company successfully setup in India in 1907.
(d) Coal mining was first started in India in 1872 in Jharkhand.

147. Consider the following statements:

Statement I: The opening of the Suez Canal in 1869 led to a decline in India's trade diversity.

Statement II: The opening of the Suez Canal increased British goods' comparative advantage in the Indian market.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation of Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation of Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

148. India's economic landscape was reshaped significantly by the pivotal reforms of 1991 among its ongoing economic reforms. In that context consider the following statements:

1. Quantitative restriction on Foreign Institutional Investors (FII) was removed.
2. The rate of corporation tax was reduced.
3. Many goods produced by small-scale industries were de-reserved.

Which of the above steps were taken during the 1991 economic reforms?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1, 2 and 3
(d) 2 and 3 only

149. In the pre-reforms era (before 1991), the country practiced a system of industrial licensing under which a license was required before setting up any large industrial unit. In this context, Consider the following industries:

1. Defence aircraft and Warships of all kinds
2. Automobile sector
3. Specified Hazardous chemicals like Hydrocyanic acid and its derivatives
4. Industrial explosives
5. Textile industries

After the 1991 economic reforms, how many of the above industries still require licenses to operate under the Industries (Development & Regulation) Act, 1951?

(a) Only two
(b) Only three
(c) Only four
(d) All five

150. With reference to Indian economy, consider the following achievements in terms of nominal prices:

1. India's foreign exchange reserve increased manifold.
2. The contribution of the agriculture sector to GDP has nearly doubled.

Which of the above have occurred in India after its liberalization of economic policies in 1991 ?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

151. Consider the following statements about the National Institution for Transforming India (NITI Aayog):

1. The Chief Ministers of all the states in India are members of the Governing Council of NITI Aayog.
2. Chairman of NITI Aayog is appointed by the Appointments Committee of the Union Cabinet.
3. It has the authority of allocating funds for projects of the Government of India.

Which of the statements given above is/are ***incorrect***?

(a) 3 only
(b) 2 and 3 only
(c) 1, 2 and 3
(d) None

152. Consider the following information:

Plan	Based on	Primary focus
1. First Five Year Plan	Harrod-Domar Model	Agriculture

2. Second Five Year Plan	Mahalanobis Model	Rapid industrialization
3. Third Five Year Plan	Gadgil Formula	Heavy industries

In how many of the above rows is the given information correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

153. With reference to NITI Aayog (National Institution for Transforming India), consider the following statements:
1. To monitor and evaluate the implementation of government programmes and initiatives.
2. To monitor the devolution of taxes between the Centre and State governments.
3. To act as the implementing agency of the National Adaptation Fund for Climate Change.
4. To allocate funds to the Central Ministries for implementation of various programmes.

How many of the above are the primary objectives of NITI Aayog?
(a) Only one
(b) Only two
(c) Only three
(d) All four

154. With reference to various Economic development plans of India, Consider the following pairs:

Name of Plan	Prepared By
1. Sarvodaya Plan	Srimana Narayana Agarwal
2. People's Plan	M.N. Roy
3. Gandhian Plan	JP Narayan

How many of the pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

155. Consider the following indexes:
1. Composite Water Management Index
2. Digital Payments Index
3. Financial Inclusion Index
4. State Energy and Climate Index
5. School Education Quality Index

How many of the above indexes are released by NITI Ayog?
(a) Only two
(b) Only three
(c) Only four
(d) All five

156. With reference to Economic Advisory Council to the Prime Minister (EAC-PM), consider the following statements:
1. It is an independent statutory body.
2. Prime Minister acts as the ex-officio chairman of the EAC-PM.
3. The council is constituted for a fixed term of five years.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) 2 and 3 only
(d) None of the above

157. With reference to India's Five-Year Plans(FYP), consider the following pairs:

Five Year Plan	Main Focus Area
1. First FYP	Agriculture
2. Third FYP	Self-reliant and self-generating economy
3. Fifth FYP	Removal of poverty' (Garibi Hatao) and 'attainment of self-reliance'

How many of the above pairs are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

158. In the context of Economic Growth models, the main idea behind Harrod-Domar Growth Model is:
(a) rapid industrialization with emphasis on the development of basic and heavy industries.
(b) structural transformation of an economy from agriculture to industry.
(c) sequential stages through which economies develop.
(d) relationship between savings, investment, and economic growth.

159. It is a method of economic planning that focuses on guiding the economy towards specific goals using forecasts and policy measures. It encourages private participation in the economy.

Which of the following best describes the above type of planning?

(a) Normative Planning
(b) Systems Planning
(c) Indicative Planning
(d) Target Planning

160. With reference to the planning in India, consider the following statements regarding the Twenty Point Programme (TPP):

1. It was launched during the Fifth Five-Year Plan.
2. The Prime Minister Office has been given the responsibility of monitoring all the items under the programme.

Which of the above statements is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

161. In context of Post-Independent India, arrange the following events in chronological order:

1. Establishment of Planning Commission
2. Nationalization of RBI
3. Announcement of first Industrial Policy
4. Enactment of the Industries (Development and Regulation) Act

Select the correct answer using the codes given below:

(a) 1-2-3-4
(b) 3-1-2-4
(c) 3-2-1-4
(d) 4-3-2-1

162. Which among the following were the reasons for the economic crisis in India in 1990?

1. Very high rate of Inflation above 13 per cent of GDP.
2. Higher Current account deficit of 1.5 per cent of GDP.
3. Increase in crude oil prices due to the Gulf War.

Select the correct answer using the codes given below:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

163. In the context of the Indian economy, which of the following steps was/were taken in India as a part of the New Economic Policy of 1991?

1. The Monopolistic and Restrictive Trade Practices (MRTP) Act was enacted to enquire into monopolistic or restrictive trade practices.
2. For the first time, investment from foreign companies was permitted in some of the high-priority industries.
3. The Foreign Exchange Regulation Act (FERA) was passed to regulate India's foreign exchange.
4. All the industries that were earlier reserved for small-scale industries were de-reserved.

Select the correct answer using the code given below:

(a) 1 and 2 only
(b) 2, 3 and 4 only
(c) 3 and 4 only
(d) None of the above

164. Which of the following is a Nodal Institution for implementation of Sustainable Development Goals in India?

(a) Planning Commission
(b) Disinvestment Commission
(c) NITI Aayog
(d) Finance Commission of India

165. To address the Balance of Payments crisis of 1991, the Government of India implemented a range of reforms in the Indian Economy. In this context, consider the following measures:

1. Abolition of industrial licensing for the majority of industrial sectors.
2. Gradual reduction in tax rates for corporations.
3. Promotion of external trade by reducing the tariff on imports.

How many of the above measures were introduced as part of liberalization policy?

(a) Only one
(b) Only two
(c) All three
(d) None

166. With reference to development of Industrial sector during the British colonial rule in India, consider the following statements:

1. The colonial government established a strong base for industrial development by replacing traditional Indian handicraft industries with modern industries.

2. The cotton textile mills were the first among the modern industries to be established in India.
3. The British Industrial policies aided in significantly strengthening the capital goods industry in India.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) 1,2 and 3

167. Which of the following statements is/are correct regarding the Land reforms in India post Independence?

1. Land ceiling laws-imposed limits on maximum size of land which could be owned by an individual.
2. Various states enacted laws to fix the maximum amount of the rent that can be charged on the tenants by landlords.

Select the correct answer using the code given below:

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

168. Arrange the following initiatives with respect to planning in pre independence India, in chronological order?

(a) Visvesvaraya plan - Peoples plan - Bombay plan
(b) Peoples plan - Bombay plan - Visvesvaraya plan
(c) Bombay plan - Peoples plan - Visvesvaraya plan
(d) Visvesvaraya plan - Bombay plan - Peoples plan

169. In the context of Indian economy, consider the following statements:

Statement - I: India could not achieve the growth target set by the Third Five-Year plan.

Statement - II: Chinese aggression (1962) and war with Pakistan (1965) added to fiscal limitations on India with respect to developmental spendings.

Statement - III: In the fiscal year 1965-66, India witnessed a severe drought.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-II and Statement-III are correct and both of them explain Statement-I
(b) Both Statement-II and Statement-III are correct but only one of them explains Statement-I
(c) Only one of the Statement-II and Statement-III is correct and that explains Statement-I
(d) Neither Statement-II nor Statement-III is correct

170. Consider the following five-year plans and the major events that occurred during the time period of the plan:

Five-Year Plan (FYP)	Major events
1. 4th FYP	Nationalization of 14 banks
2. 5th FYP	Launching of 20-point programme
3. 9th FYP	Initiation of Liberalisation,Privatization, and Globalisation (LPG) reforms due to Balance of Payment crisis

How many of the pairs given above are correctly matched?

(a) Only onc
(b) Only two
(c) All three
(d) None

171. With reference to post independence India, consider the following statements regarding the 'Sarvodaya Plan':

1. It was formulated by Vinobha Bhave.
2. The plan focused on agriculture and land reforms.
3. It emphasised on decentralised participatory form of planning.

Which of the statements given above are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

172. With reference to various initiatives of NITI Aayog, consider the following pairs:

Initiatives	Objective
1. E-Amrit Portal	To promote access to clean drinking water by establishing large filtration plants in rural areas.

ForumIAS

2. Shoonya Campaign	To improve air quality by accelerating the deployment of electric vehicles (EVs) in the urban freight sector.
3. Aspirational District Programme	To transform underdeveloped districts by improving key socio-economic indicators.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

173. Which of the following statements is *incorrect* regarding India's foreign trade during the colonial period?

(a) More than half of India's foreign trade was restricted to Britain only.
(b) India was an exporter of primary products such as raw silk and cotton and an importer of finished consumer goods and capital goods.
(c) India was never an export surplus country during colonial period.
(d) A part of the revenue generated out of foreign trade was not invested back in India leading to Drain of wealth from India.

174. Which of the following were the possible reasons for the rise in economic inequality after the 1991 economic reforms in India?

1. Reduction in public investment in agriculture
2. Decline in the availability of casual labour
3. Poor growth of public expenditure in social sectors
4. Rapid decline in foreign direct investments in India

Select the correct answer using the code given below:

(a) 1 and 2 only
(b) 2, 3 and 4 only
(c) 1 and 3 only
(d) 1, 3 and 4 only

SOLUTIONS

1.1. Core Economics and Growth

1. Solution: (b)

Exp) Option b is the correct answer.

In the global economy, various types of goods and products play distinct roles in the production and consumption process. These goods can be broadly categorized into four main groups: Consumer Durables, Intermediate Goods, Final Goods, and Capital Goods.

Pair 1 is incorrect: Consumer durables are goods that are purchased by individuals and households for long-term use. **Common consumer durables include personal computers, laptops, washing** machines, refrigerators, that consumers purchase for their personal use. Industrial robots used in manufacturing computer assembly are an example of capital goods.

Pair 2 is correct: Intermediate goods are products used in the production process of other goods. These goods are not sold directly to consumers but are instead used by businesses as inputs in their production processes, like **steel used in car manufacturing.**

Pair 3 is correct: Final goods are products **sold directly to consumers for their personal consumption.** These goods are at the end of the production chain and are intended for use by individuals. For example, **bread sold to households, clothing** purchased by consumers are considered final goods.

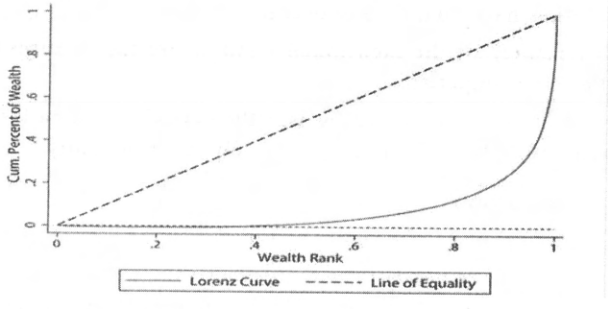
Pair 4 is incorrect: Capital goods are long-term assets that are used by businesses and industries to increase the efficiency and productivity of the production process. **Industrial robots used for computer assembly are an example of Capital goods. While personal laptops are typically considered consumer durables.**

2. Solution: (a)

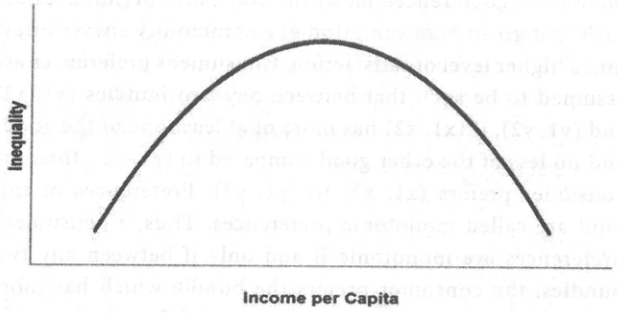
Exp) Option a is the correct answer

Pair 1 is incorrect: A Lorenz curve is a graphical representation of the **distribution of income or wealth within a population.** The farther the curve is from the baseline (represented by the straight diagonal line) the higher the level of inequality.

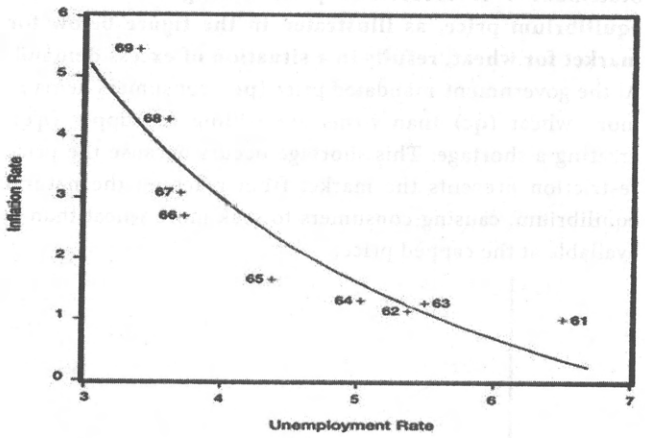
Figure 2. Lorenz Curve for Net Worth



Pair 2 is correct: Kuznets curve represents a relation between economic growth and economic inequality. According to this curve, **inequality first rises with increase in economic growth, but inequality after a certain point starts to fall down** as economic growth rises.



Pair 3 is incorrect: The Phillips curve represents a relationship between **rate of inflation and Unemployment rate.** The Phillips curve demonstrates an inverse relation between inflation and unemployment rate in an economy i.e. **higher the inflation, lower the unemployment rate.**



3. Solution: (a)

Exp) Option a is the correct answer.

The **Invisible Hand** is a metaphor for the unseen forces that move the free market economy, where self-interested individuals operate through a system of mutual interdependence.

Definition: The unobservable market force that helps the demand and supply of goods in a free market to reach equilibrium automatically is the invisible hand.

The phrase invisible hand was introduced by Adam Smith in his book 'The Wealth of Nations'. He assumed that an economy can work well in a free-market scenario where everyone will work for his/her own interest.

In a free-market scenario where there are no regulations or restrictions imposed by the government, if someone charges less, the customer will buy from him. Therefore, you have to lower your price or offer something better than your competitor. Whenever enough people demand something, it will be supplied by the market and everyone

will be happy. The seller ends up getting the price and the buyer will get better goods at the desired price.

4. Solution: (a)

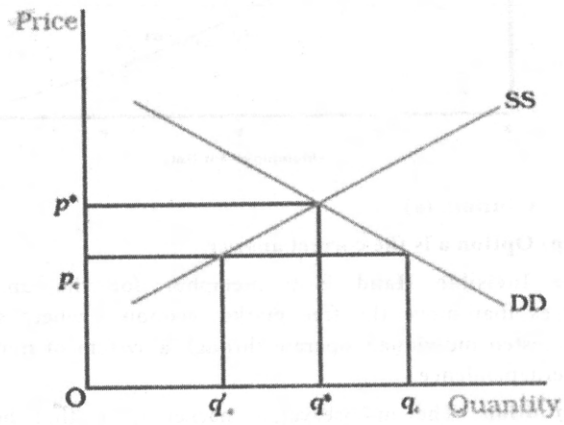
Exp) Option a is the correct answer.

Monotonic preferences mean the consumer preferences are such that greater consumption of a commodity always offers him a higher level of satisfaction. Consumer's preferences are assumed to be such that between any two bundles (x1, x2) and (y1, y2), if (x1, x2) has more of at least one of the goods and no less of the other good compared to (y1, y2), then the consumer prefers (x1, x2) to (y1, y2). Preferences of this kind are called monotonic preferences. Thus, a consumer's preferences are monotonic if and only if between any two bundles, the consumer prefers the bundle which has more of at least one of the goods and no less of the other good as compared to the other bundle.

5. Solution: (c)

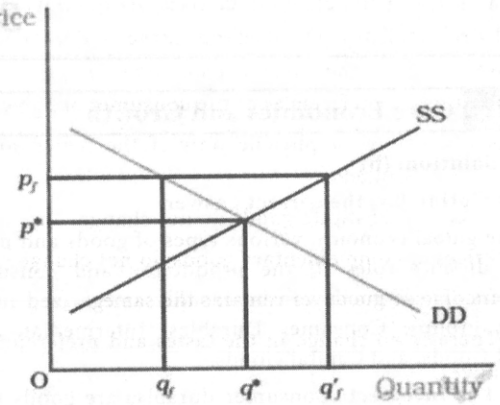
Exp) Option c is the correct answer.

Statement 1 is correct: A price ceiling set below the equilibrium price, as illustrated in the figure below for market for wheat, results in a situation of excess demand. At the government-mandated price **(pc)**, consumers demand more wheat **(qc)** than firms are willing to supply **(q'c)**, creating a shortage. This shortage occurs because the price restriction prevents the market from reaching the natural equilibrium, causing consumers to seek more wheat than is available at the capped price.



Effect of Price Ceiling in Wheat Market. The equilibrium price and quantity are p* and q* respectively. Imposition of price ceiling at p_c gives rise to excess demand in the wheat market.

Statement 2 is correct: When a price floor (pf) is set above the equilibrium price (p*) in a market, as depicted in the figure, it results in an excess supply. At the mandated price, the market's demand is **(qf)**, while firms aim to supply **(q'f)**. This discrepancy between what consumers demand and what firms are willing to provide leads to a surplus in the market, equal to **(qf-q'f)**.



Effect of Price Floor on the Market for Goods. The market equilibrium is at (p*, q*). Imposition of price floor at p_f gives rise to an excess supply.

6. Solution: (d)

Exp) Option d is the correct answer.

Perfect competition characterizes a market structure with the following key features:

- Numerous Buyers and Sellers: A large number of buyers and sellers participate in the market.
- Homogeneous Products: Every firm produces identical products.
- Free Entry and Exit: Firms can easily enter or leave the market.
- Negligible Advertising Costs: Firms do not engage in substantial advertising.
- Perfect Information: Consumers possess complete knowledge about the market and make rational decisions.
- Factors of Production Mobility: Labor, capital, and resources move freely in the market.
- Lack of Government Intervention: Minimal government interference in pricing and operations.
- Negligible Transportation Costs: Transportation costs are negligible or non-existent.
- Normal Profits: Firms earn normal profits; no excessive, supernormal profits.
- Price Taker: Firms accept the market-determined price; they have no influence over it.

Therefore, all the mentioned features are the features of Perfect Competition.

Perfect competition serves as a theoretical benchmark for market analysis, even though it rarely exists in reality.

7. Solution: (c)

Exp) Option c is the correct answer.

The law of demand states that, other things remaining the same, the quantity demanded of a commodity is inversely related to its price. Other things being equal, if a price of a commodity falls, the quantity demanded of it will rise, and

if the price of the commodity rises, its quantity demanded will decline. Thus, the demand curve is drawn under the assumption that the consumer's income, the prices of other goods and the preferences of the consumer are given.

This law will be applicable only if the below mentioned points are fulfilled:

1. Prices of substitute goods do not change.
2. Prices of complementary goods do not change.
3. Income of the buyer remains the same.
4. There is no change in the tastes and preferences of the buyer.
5. No expectation regarding future change in price.

8. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct- Opportunity cost is the **value of the next best alternative that is forgone when a decision is made**. For example, if a student decides to go to college instead of working full-time, the opportunity cost of going to college is the amount of money that the student could have earned if they had worked full-time.

Statement 2 is correct- Opportunity cost is based on the principle that **resources are scarce and that every choice has a trade-off.** When we make a decision, we are giving up other options that we could have chosen instead. The value of the next best option that we give up is the opportunity cost of our decision.

9. Solution: (b)

Exp) Option b is the correct answer.

Scottish Economics Rober Giffen in 1800s proposed the term **Giffen Goods** which is actually **those types of inferior goods** whose **rising prices increases its demand** because of **no Substitute**. However, some economists believe these theories are **hypothetical in nature** and **do not exist** in real life.

Statement 1 is incorrect- Giffen goods are inferior goods, not luxury goods with **negative income elasticity.** On the other hand, **Veblen Goods are luxury goods with positive income elasticity**. Basic staple foods such as rice, wheat, and potatoes are some of the examples of Giffen Goods whereas goods like iPhones, Jewelry, luxury cars, etc. are some of the examples of Veblen goods.

Statement 2 is correct- Giffen goods are defined by their **increasing demand in response to a price increase.** This is because poor people fear that in future there will be **even more shortage of those inferior goods** and therefore, they **prefer accumulation of these goods which results in price rise.** This is the opposite of the normal law of demand, which states that demand for goods decreases as their price increases.

Important Tips

Positive Income Elasticity- It means that the demand for a good or service increases as income increases. This is because people with higher incomes have more disposable income to spend on goods and services. Examples of goods and services with positive income elasticity include:

- Luxury goods, such as cars, jewelry, and vacations
- Non-essential goods, such as entertainment and travel
- Durable goods, such as appliances and furniture

Negative Income Elasticity- It means that the demand for a good or service decreases as income increases. This is because people with higher incomes tend to spend a smaller proportion of their income on certain goods and services. Examples of goods and services with negative income elasticity include:

- Necessities, such as food, clothing, and housing
- Basic goods, such as public transportation and electricity
- Staple foods, such as rice and beans

10. Solution: (b)

Exp) Option b is the correct answer.

Public goods differ from private goods due to their non-excludable and non-rivalrous nature. In contrast to Private goods, public goods are **accessible to all (non-excludable)**, and consumption by one person **does not reduce its availability to others (non-rivalrous).**

Option 1 is correct: An Effluent Treatment Plant **(ETP) installed by the government to combat water pollution is a public good.** It is **non-excludable,** as the benefits of reduced pollution are enjoyed by the public without discrimination. Also, it is **non-rivalrous**, as one person's use of reduced pollution does not reduce its availability to others.

Option 2 is incorrect: Woolen cloths distributed by a municipal corporation to poor people living in shelter homes are not an example of public goods. They are usually **excludable** because they are distributed to specific individuals (poor), and they are **rivalrous** in consumption, as providing clothes to one person reduces its availability for others.

Option 3 is incorrect: Food grains offered at ration shops are not public goods. They are **excludable** because they are provided to eligible individuals, and they are **rivalrous** in consumption, as providing food grains to one person may reduce the availability for others.

Option 4 is correct: Defense forces protecting a nation are an example of public good. They are non-excludable, as all are benefited from national defense, and non-rivalrous, as one person's defense doesn't diminish others' protection.

Option 5 is correct: Public parks in urban areas are an example of public goods. They are **non-excludable**, as they are generally open to all members and they are **non-rivalrous**, as one person's use of the park does not diminish its availability to others.

11. Solution: (b)

Exp) Option b is the correct answer.

The conversion of **raw materials into valuable products** serves as the **primary method by which secondary activities add value to natural resources.** Secondary activities encompass industries involved in manufacturing, processing and construction infrastructure. These secondary activities also encompass **blue-collar workers**, who are engaged in occupations categorized as secondary.

Option 1 is incorrect- A nurse providing healthcare facilities to a patient can be classifed as a **tertiary sector.** The tertiary sector is the sector of the economy that provides **services to consumers and businesses**. It includes a wide range of industries, such as **healthcare, education, retail, transportation, and tourism.**

Option 2 is correct- Labor involved in construction of a shopping mall is an example of Secondary Sector. Secondary Sector includes the construction works such as the **building and maintenance of infrastructure, such as roads, bridges, and buildings.**

Option 3 is incorrect- Royal Enfield trying to design and make sports bike by applying Research and Development is an example of quaternary sector. The quaternary sector includes industries that provide services that are **knowledge-intensive and require a high level of skill.** R&D is essential for **innovation and technological advancement**, and it plays a vital role in many different industries, including **manufacturing, healthcare, information technology, and energy.**

Option 4 is correct- Ford Motors producing a new Mustang Car with a modified engine is an example of **secondary sector.** Infacts all the manufacturing activities like the production of finished goods from raw materials, such as the **production of cars from steel and plastic, or the production of food from agricultural products** can be classified as secondary sector.

Option 5 is correct- Tata Powers providing electricity to homes is an example of secondary sector. Secondary Sector includes the **generation, transmission, and distribution of electricity and other forms of energy.**

12. Solution: (d)

Exp) Option d is the correct answer.

A complementary good is a product or service that provides value to another product or service. In other words, they are two things that the customer utilizes in conjunction with one another. Cereal and milk, for example, or a DVD and a DVD player.

Statement 1 is incorrect: Complementary goods are products which are bought and used together. An **increase in the price of Good X will lead to a reduction in quantity demand for X and this might then lead to lesser demand for the complement Good Y.** Here Y is the complementary good to X. Complements are said to be in **joint demand.** For Example, an increase in the price of computer will lead to a decrease in the demand for the software package.

Hence, as the product's price rises, the user's demand for the complementary product declines. It is because customers are reluctant to buy the complementary good alone. **Therefore, the market price of the complementary good or service can decline as consumer demand weakens.**

Statement 2 is incorrect: Complementary goods are consumed together, whereas substitute goods are the ones that fulfill a common want. **Substitute goods are more like competitors** in the markets, whereas complementary goods are positively associated with one another.

An example of a substitute good can be **Coke and Pepsi (Competitors), whereas a complement good is the razor and the blades (Complementary).**

13. Solution: (d)

Exp) Option d is the correct answer.

Since during summer cold drinks become more favorable to people, the demand curve for cold drinks is likely to shift rightwards. The demand curve can shift due to a change in the tastes and preferences of the consumer. If the consumer's preferences change in favor of a good, the demand curve for such a good shift rightward.

14. Solution: (d)

Exp) Option d is the correct answer.

Oligopoly refers to a market situation in which there are a **few firms selling homogeneous or differentiated products.** In India, markets for automobiles, cement, steel, aluminium, etc., are the examples of oligopolistic market.

- Each firm produces a **significant portion of the total output.** There exists **severe competition among different firms** and each firm try to manipulate both prices and volume of production to outsmart each other.
- Every seller influences and is influenced by the behaviour of other firms.
- Firms under oligopoly are **interdependent.** A firm considers the action and reaction of the rival firms while determining its price and output levels. A change in output or price by one firm evokes reaction from other firms operating in the market. For example, market for cars in India is dominated by few firms (Maruti, Tata, Hyundai, Ford, Honda, etc.). A change by any one firm in any of its vehicle will induce other firms to make changes in their respective vehicles.

Important Tips

Other features of Oligopoly:

- There are barriers to entry in oligopoly market. Patents, requirement of large capital, control over crucial raw materials, etc., are some of the reasons, which prevent new firms from entering into industry.
- The oligopoly is likely to lie somewhere between the two extremes of monopoly and perfect competition.

15. Solution: (a)

Exp) Option a is the correct answer.

Perfect Competition in a market is when there is a large number of buyers and sellers who sell homogenous or similar goods and services, at a price fixed by the market or industry.

Option 1 is correct. Free entry and exit for the firms exist in a perfect competition. Thus, new firms can enter the market and start producing goods already being sold. Also, if a firm wishes to leave, it can do so at any time.

Option 2 is incorrect. The firm does not set the price of goods and service in a perfect competition. Market demand and supply set the prices, and the firms have to sell the goods and services at that price only.

Option 3 is correct. Perfect knowledge with buyers and sellers regarding goods and their prices exist in a perfect competition. This results in uniform prices for the buyers and uniform costs for the sellers.

16. Solution: (b)

Exp) Option b is the correct answer.

The law of demand states that demand and price have an inverse relationship. Thus, at lower prices people demand more of the goods while at higher prices, they demand less of it. However, there are certain exceptions for this.

Option 1 is correct. Veblen goods are luxurious goods that are purchased to show social prestige and financial prowess. **Such goods do not follow the law of demand. Thus, demand for these goods increase with an increase in price of the goods**, as they are considered to be status symbols. Most common examples include diamonds, paintings of famous artists etc.

Option 2 is correct. Giffen goods can be defined as inferior goods that do not have a substitute. **They do not follow the law of demand, thus as the price of Giffen goods increases, their demand increases as well.** This is because it is feared that they might become scarce in the near future, so the people buy all that they can at the increased price. An example to explain the phenomenon is that of millets like jowar or bajra. These are usually considered to be the food of the poor people. When the price of millets increases, the demand for these increases as well. This is because it is believed that at higher prices, even they would go out of the buying capacity of the poor.

Option 3 is incorrect. Normal goods like tea and coffee **follow the law of demand.** Thus, at low prices, their demand increases while at high prices, their demand decreases.

17. Solution: (a)

Exp) Option a is the correct answer.

Utility refers to the power of a commodity to satisfy a human want. Total utility is the total satisfaction obtained from the consumption of all possible units of a commodity. Marginal utility is the addition to the total utility derived from the consumption of an additional unit of a commodity.

When the marginal utility is zero, the total utility is at the maximum level. This means that consuming an additional unit of the good offers no additional utility to the individual. Eventually, the total utility will actually start decreasing.

Units of Oranges Consumed	Marginal Utility (Utils)	Total Utility (Utils)	
0	–	0	
1	10	10	TU increases at diminishing
2	8	18	rate (MU is
3	6	24	positive)
4	2	26	
5	0	26	TU is maximum when MU is zero
6	–2	24	TU falls when MU is negative

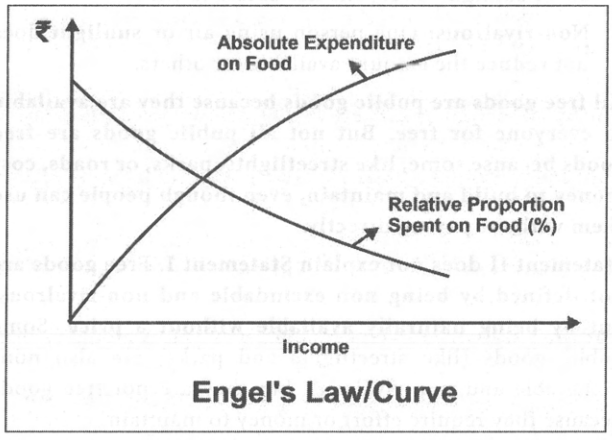
18. Solution: (a)

Exp) Option a is the correct answer.

The Easterlin Paradox, proposed by economist Richard Easterlin (1974), states that **while higher income is associated with greater happiness within a country at a given time, over the long run, economic growth does not necessarily lead to increased overall happiness once basic needs are met.** This occurs due to **adaptation and social comparisons, where relative income matters more than absolute income.**

19. Solution: (a)

Exp) option a is the correct answer.



Engel's Law states that as a household's **income increases**, the **percentage** of income spent on food **decreases**, even if actual spending on food rises. This law was formulated by **Ernst Engel** in **1857**, based on household expenditure studies.

20. Solution: (c)

Exp) Option c is the correct answer.

The Environmental Kuznets Curve (EKC) is a widely used framework for analyzing environmental performance. Originating from Kuznets' 1955 study, the EKC was initially developed to examine the relationship between income per capita and income inequality, represented by an inverted U-shaped curve. Over time, this concept was adopted in environmental studies, gaining popularity for its application in exploring the relationship between economic growth and environmental degradation.

The curve suggests an **inverted U-shaped relationship between environmental degradation and economic growth. At the early stages of economic development, environmental quality tends to worsen** due to increased industrialization and resource consumption. **However, as income levels rise** and societies become wealthier, they invest in cleaner technologies, stricter environmental regulations, and sustainable practices, **leading to an improvement in environmental quality.**

21. Solution: (b)

Exp) Option b is the correct answer.

In economics, a **free good** is something that is naturally available in unlimited supply and does not cost anything, like air or sunlight. A **public good** is something that everyone in society can use, and no one can be stopped from using it, even if they don't pay for it. Examples include streetlights and national defense.

Statement I is correct. Air and sunlight are **available naturally and in unlimited supply**, meaning they **do not have to be bought or produced. No one needs to pay money** to breathe air or stand in sunlight, making them free goods.

Statement II is correct. Non-excludable and non-rivalrous are characteristics of Public goods.

- **Non-excludable:** No one can be **prevented from using** air or sunlight. Everyone has access to them.
- **Non-rivalrous:** One person **using air or sunlight** does not **reduce** the amount available for others.

All free goods are public goods because they are available to everyone for free. But not all public goods are free goods because some, like streetlights, parks, or roads, cost money to build and maintain, even though people can use them without paying directly.

Statement II does not explain Statement I. Free goods are not defined by being non-excludable and non-rivalrous, but by being naturally available without a price. Some public goods (like streetlights and parks) are also non-excludable and non-rivalrous, but they are not free goods because they require effort or money to maintain.

Important Tips

Difference Between Public Goods and Free Goods

Feature	Public Goods	Free Goods
Definition	Goods that **everyone can use** and no one can be excluded from using, even if they don't pay.	Goods that are **naturally available in unlimited supply** and **do not cost anything.**
Examples	**Streetlights, national defense, public parks, police services.**	**Air, sunlight, seawater, wind.**
Availability	Provided by the **government or an organization** for public use.	Available **naturally** without human effort.
Cost to Society	**Not free**—requires resources, money, or effort to produce and maintain.	**Completely free**—no cost to produce or maintain.
Non-Excludable?	**Yes**—No one can be prevented from using them.	**Yes**—Freely available to everyone.
Non-Rivalrous?	**Yes**—One person's use does not reduce availability for others.	**Yes**—Everyone can use it without reducing its supply.
Key Difference	**Not all public goods are free** because they need **money to provide** (e.g., roads, police services).	**All free goods are public goods,** but **not all public goods are free.**

22. Solution: (b)

Exp) Option b is the correct answer

Price ceiling refers to the maximum price which a seller can charge for a commodity. The price ceilings are decided by the government or related authorities to control the prices and ensure the availability of goods/ services to the consumers at reasonable prices. **The upper limit of price printed on biscuit packets i.e Maximum Retail Price printed on biscuit packets, or any other necessary goods or services are examples of price-ceiling.**

Price flooring refers to setting up a lower limit below which the government will not allow the price of goods/services to fall. **Minimum support price and minimum wages are examples of Price flooring.**

23. Solution: (b)

Exp) Option b is the correct answer.

Variable costs are those costs which vary directly or almost proportionately with the level of output. When the level of output increases, the variable costs increase. When the level of output decreases, the variable costs decrease too.

Option 1 is correct. Wages paid to workers are examples of variable costs. When the firm wishes to increase output, more workers are employed and thus, the wage liability of the firm increases.

Option 2 is incorrect. Rent on land to be paid by the firm is an example of fixed costs. The level of output produced by the firm does not affect the rent to be paid by the firm. Even if the firm produces no goods and services, they will have to pay the same amount of rent on land.

Option 3 is correct. Commission paid to salesmen are examples of variable costs. When a salesman sells more goods and services, more commission has to be paid to the salesmen. Thus, it is variable in nature.

Option 4 is correct. The cost of raw materials are an example of variable costs. To produce more output, more raw material would be required by the firm and thus, their payment for raw materials would increase. This makes it a variable cost.

Option 5 is incorrect. Loan repayments made by the firm is an example of fixed costs. It has no relation to the amount of output produced by the firm. The amount of loan and the interest on it remains the same, making it a fixed cost.

24. Solution: (a)

Exp) Option a is the correct answer.

In a perfect competition, the buyers and sellers are high and there are a number of substitutes for a product. A market that does not fulfill these conditions is called an imperfect market.

Statement 1 is correct. Monopolistic competition refers to a kind of competition in which a large number of competitors exist, who offer products which are similar but not perfect substitutes. There is free entry and exit of firms. Example includes the mobile phones market-all the mobile phones are similar in their basic functions, yet differ from each other in some way or the other.

Statement 2 is incorrect. As in the example above, because each mobile phone differs from the other in some unique way, **the seller sets the price at which the goods shall be sold, thus being the price maker. The buyer is the price taker, he pays the price as set by the sellers. Thus, the consumption patterns of buyers do not determine the price at which the goods are sold in the market.**

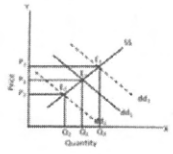
In monopsony, where there is one buyer and many sellers, buyer is the price maker while seller is the price taker.

25. Solution: (d)

Exp) Option d is the correct answer.

In microeconomics, the demand and supply curves represent the relationship between the **price** of a good and its **quantity demanded or supplied**. Any **change in price** leads to a **movement along the curve**. However, when other factors (non-price determinants) change, the **entire curve shifts** either to the **right or left.**

Shifts in Demand and Supply

Shift Type	Demand Curve	Supply Curve
Rightward Shift (Increase)	Higher quantity, Higher price	Higher quantity, Lower price
Leftward Shift (Decrease)	Lower quantity, Lower price	Lower quantity, Higher price
		

However, when both **demand and supply increase (rightward shift)**, the equilibrium **quantity always increases**, but the effect on **price depends on the relative magnitude of the shifts:**

1. **If demand increases more than supply** → Price increases.
2. **If supply increases more than demand** → Price decreases.
3. **If both increase equally** → Price remains the same.

Since the relative shift sizes are unknown, **the price change cannot be determined with certainty.**

26. Solution: (d)

Exp) Option d is the correct answer.

Working Capital is the money a business needs for its **day-to-day operations.** It is the difference between current **assets** (short-term resources that can be converted into cash within a year) and **current liabilities** (short-term debts that must be paid within a year). Businesses need **enough working capital** to pay for expenses like raw materials, salaries, and bills.

The formula for working capital is: **Working Capital=Current Assets−Current Liabilities**

Option 1 is correct. Bills receivable are amounts due to the business for goods sold or services provided. They are current assets and get converted into cash or cash equivalents within one year.

Since they are **liquid** (easily converted into money), they are part of working capital.

Option 2 is correct. Debtors are **customers who owe money to the business** because they bought goods on credit. Since this money will be received soon, it is considered a **short-term asset** and part of working capital.

Option 3 is correct. Cash in hand/Bank is **physical cash and money in bank accounts**, which is immediately available for business use. Cash is **the most liquid asset** and a key part of working capital.

Option 4 is correct. Finished Goods Inventory are **products ready for sale** that will generate cash soon. Since they will be sold in the short term, they are part of working capital.

Option 5 is correct. Raw Material is **the basic material used to make products** (e.g., flour in a bakery, steel in a factory). It is considered a **current asset** because it will be used to produce goods soon.

27. Solution: (b)

Exp) Option b is the correct answer.

Public goods can be **products** or **services** that are **available to everyone in a community.** They are **often provided by the government** and **funded through taxes. Examples** of public goods include **town roads, parks,** etc.

Statement 1 is correct: Being non-excludable means that **once a public good is provided,** it is **not feasible** to **exclude individuals from enjoying its benefits, regardless** of **whether** they have **contributed** to its **provision.** Examples include **public parks** and **national defense.**

Statement 2 is correct: Public goods are characterized by **non-rivalry**. This means that **when one person enjoys a public good**, it **doesn't diminish the availability or enjoyment of that same good** for **others**. Examples include **clean air, knowledge**, etc. This **non-rivalrous nature** is a **key feature** that **distinguishes public goods from private goods**. Private goods, like pizza, become **less available** as **people consume them. Public goods**, on the other hand, can **be enjoyed by everyone simultaneously**.

Statement 3 is incorrect: The **production of public goods** certainly **incurs an opportunity cost**, as **resources utilized** for their provision could have been used elsewhere. **Opportunity cost** represents the **cost of the next best alternative foregone**. For **public goods**, this **means** the **resources** (such as labour, capital, etc.) **used to provide these goods** are **not available for the production of other goods** or **services**. Thus, the understanding that public goods do not incur any opportunity cost overlooks this fundamental economic principle.

Important Tips

1) There is a difference between public provision and public production. Public provision means that they are financed through the budget and can be used without any direct payment.
2) Public goods may be produced by the government or the private sector. When goods are produced directly by the government it is called public production.

28. Solution: (c)

Exp) Option c is the correct answer.

A **perfectly competitive market** has been defined as one where an **individual firm** is **unable** to **influence** the **price** at which the **product** is **sold** in the **market**. But there are **many situations** in an **economy** when the **entities involved can influence markets** and **distort competition**.

Option a is incorrect: A **monopsony** occurs when there is **only one buyer in a market**, which is **not** the **case** when a **single company holds patents over a vaccine**. In this scenario, the company is the seller, not the buyer, of the vaccine. **Monopsony typically applies to markets where a single entity** has **significant buying power** and can **influence the price** at which it purchases goods or services.

Option b is incorrect: Monopolistic competition characterizes a **market structure** where **many firms sell products** that are **similar** but **not identical**. **Each firm** has a **degree of market power** but **must also consider the actions of its competitors**. When a **single company holds patents** over a vaccine, it **does not face competition from similar products**, which is contrary to the conditions of monopolistic competition.

Option c is correct: Granting patents for a vaccine to a single company typically results in a **monopoly situation**. In a **monopoly**, a **single firm controls the entire market for a product or service**, with **no close substitutes available**. The **patent protection eliminates potential competitors** from **producing or selling the same vaccine**, **allowing the company to set prices** and **control** the **supply without competition**. This exclusive control over the market can lead to higher prices and restricted access compared to a competitive market scenario. The Patents Act of 2005 in India allows generic versions of patented drugs to be manufactured and exported under a compulsory license to meet the health needs of underdeveloped countries.

Option d is incorrect: Oligopoly in a market occurs when there are a small number of firms producing a homogenous commodity. If the market of a particular commodity consists of more than one seller but the number of sellers is few, the market structure is termed oligopoly.

Important Tips

There are four types of imperfect markets –

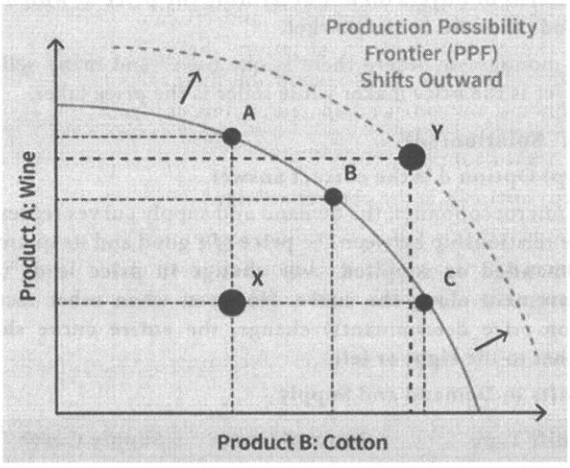
1. Monopoly (only one seller)
2. Oligopoly (few sellers of goods)
3. Monopolistic competition (many sellers with highly differentiated product)
4. Monopsony (only one buyer of a product)

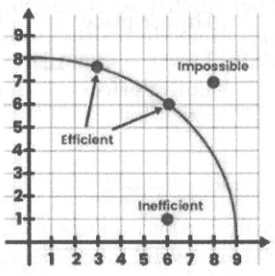
29. Solution: (c)

Exp) Option c is the correct answer.

The **Production Possibility Frontier (PPF)** is a graphical representation that shows the maximum possible combinations of two goods or services that an economy can produce given its resources and technology.

The key concept illustrated by the PPF is the idea of scarcity and the trade-offs that arise due to limited resources.





When an economy operates along the PPF curve, it means it is utilising its resources efficiently to produce a combination of goods and services. However, because resources are limited, producing more of one good or service typically means producing less of another. This **trade-off** is depicted by the downward slope of the PPF curve, indicating that as more resources are allocated to producing one good, the production of the other good must decrease. Therefore, option c is correct because the PPF indeed reflects the trade-offs that an economy faces when deciding how to allocate its limited resources among different goods and services.

All other options are incorrect.

30. Solution: (d)

Exp) Option d is the correct answer.

The term "invisible hand" was popularised by the economist Adam Smith in his book "The Wealth of Nations." Smith used this concept to describe how self-interested individuals, acting in pursuit of their own economic goals, unintentionally contribute to the well-being of society as a whole.

Statement I is incorrect: Adam Smith did not advocate for the government to play the role of an invisible hand in the economy. Instead, he used the term **"invisible hand" to describe how individual self-interest and competition in a free market,** can lead to beneficial outcomes for society as a whole without direct government intervention.

Statement II is correct: Adam Smith supported **the ideas/ principles of a free market and privatisation** in his seminal work "The Wealth of Nations." He argued that allowing individuals and businesses to operate within a competitive market, free from excessive government intervention, fosters economic growth, innovation, and efficiency. Additionally, he advocated for privatisation, believing that private ownership encourages responsible management and better economic outcomes compared to state control.

31. Solution: (a)

Exp) option a is the correct answer.

Goods are classified in microeconomics based on their **characteristics** and how **consumers respond** to changes in their prices, income, and preferences. This classification helps economists analyze consumer behavior, market dynamics, and the allocation of resources.

Option a is correct. Veblen goods are luxury goods or status symbols for which demand increases as the price rises. This phenomenon occurs because consu**mers associate higher prices with higher quality or status, leading to increased demand**. Examples include luxury cars, designer clothing, and high-end jewelry.

32. Solution: (c)

Exp) Option c is the correct answer.

Option 1 is correct and option 3 is incorrect. Demand for essential food items does not change much even if food prices go up. This is because such goods are essential for life and the demands for such goods do not change much in response to changes in their prices. On the other hand, demand for luxury cars can be very responsive to price changes. In general, demand for a necessity is likely to be price inelastic while demand for a luxury good is likely to be price elastic.

Option 2 is correct. Essential medicines/drugs and medical procedures have inelastic demand. The patient will pay whatever he can. In general, products that significantly affect health and well-being have inelastic demand.

Option 4 is correct. The demand for petrol/diesel generally is fairly inelastic, especially in the short run. Car travel requires petrol or diesel and the substitutes for car travel offer less convenience and control. Only in the long run, more options are available, such as purchasing a more fuel-efficient car or choosing a job that is closer to where you work. Therefore petrol/ diesel is most likely inelastic.

Option 5 is correct: Habits of consumers determine price elasticity of demand of commodities/goods. For example, a chain smoker will not restrict his smoking even when the price of cigarettes rises. So, the price elasticity of demand in case of tobacco items like cigarettes and Gutka is generally inelastic.

33. Solution: (b)

Exp) Option b is the correct answer

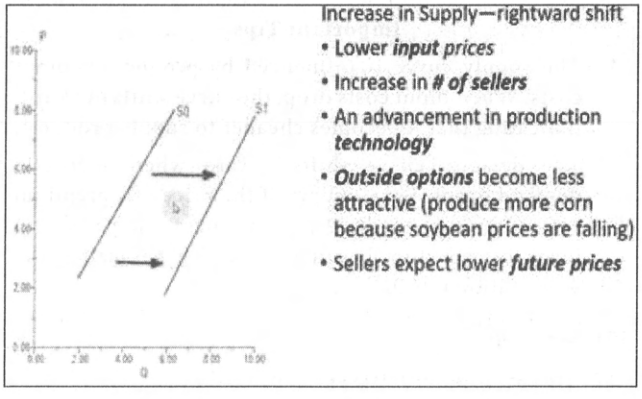
Option b is correct: Pent-up demand describes a situation where there is a rapid increase in demand for a service or product, typically following a period of reduced spending, such as during a recession. During such periods, consumers may delay purchases due to economic uncertainty, leading to a backlog of demand. When conditions improve, this pent-up demand is released, often leading to a surge in consumer spending.

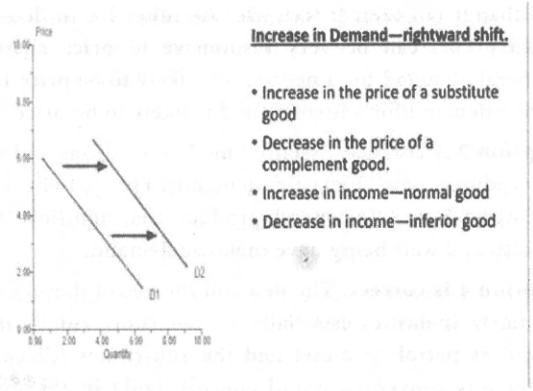
Option a, c and d are incorrect.

34. Solution: (b)

Exp) Option b is the correct answer.

A supply and demand curve graph shows the relationship between the amount of a product available to a market and the amount consumers in that market want. The two curves meet at the market quantity supplied, and the market moves toward this equilibrium.





Option a is incorrect: A decrease in consumer demand would cause a leftward shift in the demand curve, not rightward, indicating that consumers are less willing or able to purchase goods at each price level.

Option b is correct:

1) A rightward shift in the demand curve indicates an increase in demand at the same price levels, possibly due to factors such as increased consumer income, changes in tastes and preferences, or an increase in population.
2) Similarly, a rightward shift in the supply curve signifies an increase in supply, which could result from technological improvements, reductions in the cost of production, or other factors enhancing production efficiency.
3) When both curves shift rightward, it reflects a scenario where the market experiences growth in both demand and supply, suggesting a healthy economic condition where consumers are willing and able to purchase more goods, and producers are able to supply more, often driven by positive economic indicators like income growth or technological advancements.

Option c is incorrect: A rightward shift in the demand or supply curve involves changes in the quantities demanded or supplied at each price level, rather than a direct increase in price without any change in quantity.

Option d is incorrect: While a decrease in production costs can lead to an increase in supply (rightward shift of the supply curve), this option incorrectly suggests that demand remains unaffected. The question specifies a rightward movement of the demand-supply curve, implying changes in both demand and supply, not just supply alone.

Important Tips

1) The supply curve is influenced by production input costs. When input costs drop, the curve shifts outward, indicating that it becomes cheaper to supply products.
2) The demand curve shifts inward when aggregate demand drops. For example, if the price of a premium coffee brand increases, consumers may buy a lower-priced store brand instead. This is called the substitution effect.

35. Solution: (a)

Exp) Option a is the correct answer.

The potential benefits lost out when choosing one alternative over the other is called opportunity cost. It is also known as alternative costs.

Option 1 is correct. When there are no alternative uses for a good, then the opportunity cost of putting the good to its sole usage is zero. This is because nothing has been 'foregone' as no alternatives are available to the user.

Option 2 is correct. When the economic cost of the good is zero (like air), its opportunity cost is zero too. This is because the good is considered to be a **free good**, so there is no sacrifice involved in obtaining it. It is presumed to have unlimited ability and thus, no opportunity cost.

Option 3 is incorrect. Public goods are goods which are non-excludable and non-rivalrous in consumption. Examples will include the security provided by armed forces on the border. **They do have an opportunity cost, as the funds spent on them could have been spent elsewhere.**

36. Solution: (b)

Exp) Option b is the correct answer.

An inferior good is an economic term that describes a good **whose demand drops when people's incomes rise.** As incomes and the economy improves, consumers begin buying more costly substitutes instead.

Statement I is correct. In India, coarse grains like bajra, ragi and jowar are considered as inferior goods. Rising income of people leads to preferences for other superior alternatives like rice, wheat and other higher cost foods.

Statement II is correct. Engel's law states that **as a household's income increases, the percentage of their income spent on food decreases, while the total amount spent on food might increase**. This is because as income increases, people spend more on other things, like education and recreation. Food grains being a necessity, aligns with Engel's law.

As stated above, **Statement II is a general economic principle and does not specifically explain why coarse grains are considered as inferior goods.** Hence, **Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-1.**

37. Solution: (c)

Exp) Option c is the correct answer.

Perfect competition describes a market structure where competition is at its greatest possible level.

A market which exhibits the following characteristics in its structure is said to show perfect competition:

- Large number of buyers and sellers
- Homogenous product is produced by every firm
- Free entry and exit of firms
- Zero advertising cost
- Every firm is a price taker. It takes the price as decided by the forces of demand and supply. No firm can influence the price of the product.

- All the factors of production, viz. labour, capital, etc, have perfect mobility in the market.

Ideally, perfect competition is a hypothetical situation which cannot possibly exist in a market.

Option 1 is correct. For a market to be perfectly competitive, **the entry and exit of firms into and from the market must be free.**

Option 2 is incorrect. One of the defining features of a perfectly competitive market is that **all the firms in the market produce a certain homogeneous and undifferentiated good.**

Option 3 is incorrect. It is **not necessary** for all firms in a perfectly competitive market to be privately owned. There may be public firms as well.

Option 4 is correct. A perfect market is one where every firm is a price taker. It takes the **price as decided by the forces of demand and supply.** No firm can influence the price of the product.

Option 5 is correct. A perfectly competitive market is one **which consists of a large number of buyers and sellers.**

38. Solution: (a)

Exp) Option a is the correct answer.

Statement I is correct: The Indian telecom sector is a prime example of an oligopolistic market where a small number of firms, such as Jio, Airtel, and Vodafone-Idea, dominate the industry.

Statement II is correct and correctly explains statement I: In oligopolistic markets, the behavior of a few large players significantly influences supply and pricing dynamics. It is **true for the Indian telecom sector, where the few large players set prices and influence market trends.**

39. Solution: (c)

Exp) Option c is the correct answer.

The government provides certain goods and services which cannot be provided by the market mechanism i.e. by exchange between individual consumers and producers. Public goods are defined by **two main characteristics: non-excludability (no one can be excluded from their use) and non-rivalry (use by one person does not reduce availability to others).**

Option 1 is incorrect: PDS (Public Distribution System) rice is not a public good. It is an excludable good because only individuals meeting specific eligibility criteria, such as income levels or possession of ration cards, can access it. Additionally, PDS rice is rivalry in nature since its consumption by one person reduces the quantity available to others. For example, if one family receives their share of rice, the total stock of rice for distribution diminishes.

Option 2 is correct: Unified Payments Interface (UPI) qualifies as digital public good. These payment transaction systems offer immense convenience for the public and economic gains for the economy. And it is non-excludable and non-rival in nature bringing ease of life and ease of business in the country.

Option 3 is correct: National defense is a quintessential example of a public good. It is non-excludable, as all citizens within a country's borders benefit from its protection, regardless of whether they contribute to its cost through taxes or other means. It is also non-rival, as one individual's safety provided by national defense does not reduce the level of protection available to others. For example, the presence of a military ensures security for all citizens equally, without diminishing its availability for any specific group.

Option 4 is correct: Street lighting is an example of a public good. It is non-excludable, as anyone present in the area where streetlights are installed benefits from the illumination without restrictions. Additionally, it is non-rival because one person benefiting from the light does not reduce its availability or effectiveness for others in the same area. For instance, a lit street benefits all passersby simultaneously without diminishing the service.

40. Solution: (b)

Exp) Option b is the correct answer.

Price elasticity measures how much the supply or demand of a product changes based on a given change in price.

Statement a is incorrect: The **maximum amount** a consumer is **willing to pay** for an **additional unit** of a product is referred to as the **Marginal Benefit** and not Price Elasticity of Demand. It is the measure of how the cost or value of a product changes. Companies need to take both concepts into consideration when manufacturing, pricing, and marketing a product.

Statement b is correct: Price elasticity of Demand measures **how much** the **demand** of a **product changes** based on a given **change in price**. Generally, the demand for goods that are easily replaceable is very volatile with respect to prices. A small increase in the price of such goods (termed as elastic goods) reduces their demand and vice versa.

Statement c is incorrect: The **change in demand** for a good or service caused by a **change in a consumer's purchasing power** resulting from a **change in real income** is termed as **Income Effect**, not the Price Elasticity of Demand.

This change can be the result of a rise in wages etc., or because existing income is freed up by a decrease or increase in the price of a good that money is being spent on.

Statement d is incorrect: In economics, the **practice** of **setting the price** of a product to **equal** the **extra cost of producing an extra unit** of output is called **Marginal Cost Pricing**, and not Price Elasticity of Demand. By this policy, a producer charges, for each product unit sold, only the addition to total cost resulting from materials and direct labour.

41. Solution: (d)

Exp) Option d is the correct answer.

Marginal Propensity to Consume (MPC) is a fundamental concept in economics that refers to the **ratio of the change in consumption to the change in income.** In simpler terms, it measures **how much more a person will consume when their income increases by a certain amount.**

It is Calculated as: MPC= ΔC/ ΔY

Where:

ΔC = Change in consumption

ΔY = Change in income

For example, if a person receives an additional ₹100 in income and spends ₹80 of it, their MPC is 0.8.

This concept is critical in **Keynesian economics**, as it helps in understanding the relationship between income and consumption, and how fiscal policies (like tax cuts or stimulus spending) can stimulate economic activity by encouraging higher consumption.

Important Tips

Concepts similar to Marginal Propensity to Consume (MPC) in economics:

Marginal Propensity to Save (MPS): MPS measures the portion of additional income that is saved rather than consumed. It is the complement of MPC.

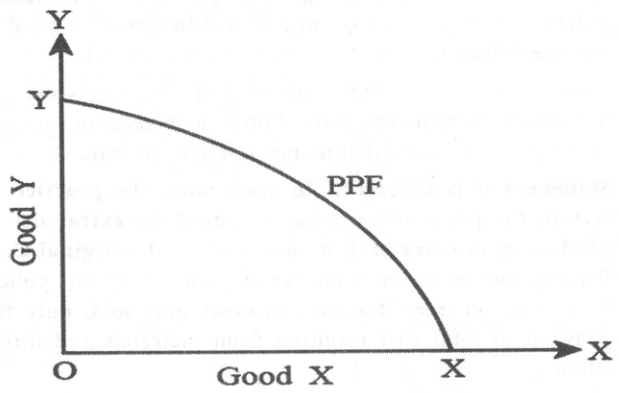
Average Propensity to Consume (APC): APC is the ratio of total consumption to total income. It shows the proportion of income that is spent on consumption over a given period.

Average Propensity to Save (APS): APS is the ratio of total savings to total income. It shows how much income is saved rather than spent on consumption.

42. Solution: (a)

Exp) Option a is the correct answer.

The **passage describes the concept of a Production Possibility Frontier** (PPF). The PPF shows the maximum combinations of two goods or services that an economy can produce given a fixed amount of resources and technology. It highlights the trade-offs and opportunity costs of allocating resources between two goods.



Production Possibility Frontier Curve

The shape of the PPF's curve is typically concave to the origin (as shown in the figure above). Points along the PPF represent efficient production, while points inside the curve are inefficient (resources are underutilized), and points outside the curve are unattainable with the current resources.

Option b is incorrect: An **Indifference curve** represents **different combinations of two goods between which a consumer is indifferent.** This means that the consumer derives the same level of satisfaction or utility from each combination along the curve. It focuses on consumer preferences rather than production, and it does not involve the concept of opportunity cost, which is central to the PPF.

Option c is incorrect: A **Budget constraint** shows the **combinations of goods and services a consumer can afford** given their income and the prices of goods. It represents the limits of a consumer's spending power and defines the trade-offs in terms of consumption, not production. The budget constraint, like the indifference curve, is a tool used to analyse consumer behaviour rather than the production possibilities of an economy.

Option d is incorrect: An offer curve represents the relationship between the quantity of a good a country is willing to export and the price of that good, holding other factors constant. It shows the willingness of a country to offer different amounts of goods in exchange for imports at varying price levels.

43. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct: A price ceiling is a **maximum price set by the government for certain goods and services to make them affordable for consumers**. For example, price ceilings are often implemented for essential items like food grains, medicines, and rent to prevent prices from becoming too high.

Statement 2 is correct: A price floor sets the **minimum price at which goods or services can be sold, ensuring that producers receive a fair income**. An example is the minimum support price (MSP) for agricultural goods, which guarantees farmers a minimum income regardless of market fluctuations.

Statement 3 is incorrect: Minimum Support Price is an example of a price floor, as it sets a minimum price for agricultural products. Minimum Wage is indeed an example of a price floor, setting a minimum wage rate for labor.

44. Solution: (b)

Exp) Option b is the correct answer.

Price discrimination is a situation where the same product is sold to different consumers for different prices. This can happen for a variety of reasons, such as different willingness to pay, different costs of distribution, or different levels of competition.

45. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correctly matched: An **inferior good is one whose demand decreases as consumer income increases** because people switch to better-quality substitutes. Kerosene is commonly used for cooking and lighting in lower-income households. **As income rises, people often shift to cleaner**

and more efficient energy sources like LPG, electricity, or induction cooktops.

Pair 2 is correctly matched: A normal good is one whose demand increases as consumer income rises because people can afford more of it or prefer higher-quality options. As income increases people's demand for laptops also increases, thus laptops fit the definition of a normal good.

Pair 3 is incorrectly matched: Veblen goods are luxury goods whose demand increases with price due to their status-symbol value (e.g., luxury cars, high-end watches, or designer clothing). **Milk is a necessity;** its consumption primarily depends more on household needs than price changes. Milk's demand may decrease when its price increases, following the law of demand. Hence, milk cannot be classified as a Veblen good.

46. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect. The greater the number of consumers of a good, the greater the market demand for it. As more consumers enter the market, the amount of a product that consumers (in general) are willing to buy will increase.

Statement 2 is correct. A Veblen good is a good for which **demand increases as the price increases,** because of its exclusive nature and appeal as a status symbol. A Veblen good has an upward-sloping demand curve, which runs counter to the typical downward-sloping curve. Examples of Veblen goods include designer jewellery, yachts, and luxury cars.

Statement 3 is incorrect. The quantity of a good that the consumer chooses can increase or decrease with the rise in the price of a related good: substitutes or complementary.

Goods which are consumed together are called complementary goods. Examples of goods which complement each other include tea and sugar, shoes and socks, pen and ink, etc. Since tea and sugar are used together, **an increase in the price of sugar is likely to decrease the demand for tea** and a decrease in the price of sugar is likely to increase the demand for tea. Similar is the case with other complements. In general, **the demand for a good moves in the opposite direction of the price of its complementary goods.**

Statement 4 is incorrect. Inferior goods are those goods for which the **demand moves in the opposite direction of the income of the consumer.** For inferior goods, as the income of the consumer increases, the demand for an inferior good falls. Examples of inferior goods include low price food items like coarse cereals.

Important Tips

Goods like tea and coffee are not consumed together. In fact, they are substitutes for each other. The demand for a good usually moves in the same direction as the price of its substitutes.

When the price of a substitute for a good falls, the demand for that good will decline and when the price of the substitute rises, the demand for that good will increase.

47. Solution: (b)

Exp) Option b is the correct answer.

Option b is correct. Gross investment of an economy refers to **that part of our final output that comprises the capital goods.** It is the money value of all the capital goods produced in a year. Gross investment refers to the total expenditure on newly produced capital goods during a specific period. It encompasses machines, tools and implements; buildings, office spaces, storehouses or infrastructure like roads, bridges, airports or jetties.

Another related term is Net Investment:

A part of the capital goods produced in a year goes for replacement of existing capital goods and is not an addition to the stock of capital goods already existing. This value needs to be subtracted from gross investment for arriving at the measure for net investment. This deletion, which is made from the value of gross investment in order to accommodate regular wear and tear of capital, is called depreciation.

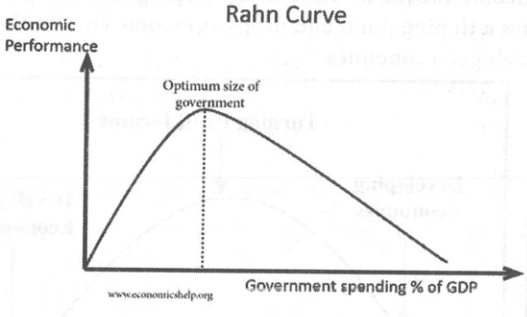
So new addition to capital stock in an economy is measured by net investment or new capital formation, which is expressed as

Net Investment = Gross investment – Depreciation

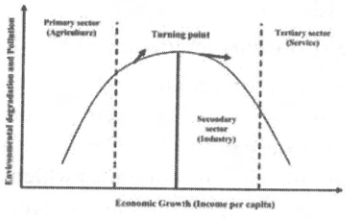
48. Solution: (a)

Exp) Option a is the correct answer.

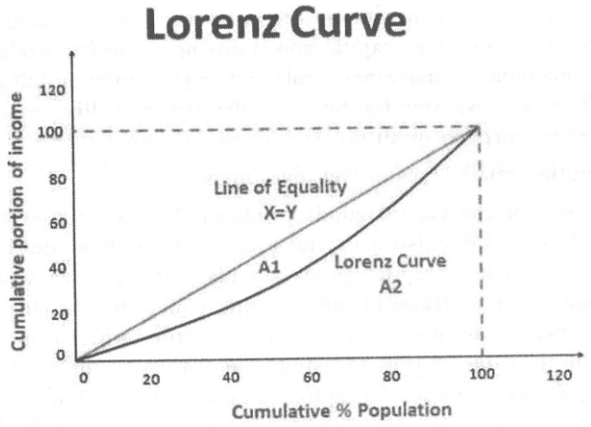
Option a is correct. Rahn curve establishes the relationship between economic growth and government's spending as a per cent of GDP (size of the government). It suggests that there is an optimal level of government spending which maximises the rate of economic growth.



Option b is incorrect. Environmental Kuznets Curve establishes the relationship between environmental degradation and stage of economic development. It suggests that economic development initially leads to a deterioration in the environment, but after a certain level of economic growth, a society begins to improve its relationship with the environment and levels of environmental degradation reduces.

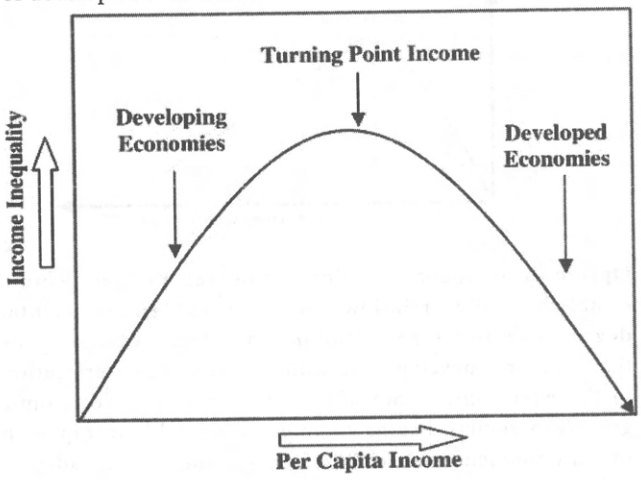


Option c is incorrect. Lorenz curve establishes the relationship between Cumulative share/portion of income to the section or per cent of population. It is a graphical representation of the distribution of income or wealth within a population.



Option d is incorrect: Kuznets curve is used to demonstrate the hypothesis that economic growth initially leads to a greater inequality, followed later by the reduction of inequality. It was first proposed by an American economist Simon Kuznets.

His work on economic growth and income distribution led him to hypothesize that industrializing nations experience a rise and subsequent decline in economic inequality, characterized as an inverted "U"—the "Kuznets curve." **It establishes a relationship between income inequality and per capita income.** It shows that as per capita income rises, the income inequality rises in developing countries, then it reaches a tipping point and drops as income rises in the case of developed economies.



49. Solution: (d)

Exp) Option d is the correct answer.

The concept of cost of production is very significant in economics because it influences the production, supply, sales and the determination of price in the market. There are various types of costs in economics which help a firm or business houses to take apt economic decisions.

Pair 1 is correct: The private cost is any cost incurred by a **firm to purchase** capital equipment, hire labours, and buy material or other inputs to produce **goods and services.**

Pair 2 is correct: In neoclassical economics, social costs consist of:

A) Private costs

B) External costs

The total social cost is equal to the sum of the two. If we write it down mathematically, the social cost formula is as follows:

Social cost = Private cost + External cost

Social cost includes **both the private cost and any other external cost (cost of externalities)** to society arising from the production or consumption of goods and services. External costs are not reflected in the company's production costs. It is not seen on the company's income statement. Likewise, it is also not reflected in the price borne by consumers. Nonetheless, external costs remain costs to society, regardless of who pays them. For example, a textile company might try to save money. They then did not install water pollution control equipment or factory waste. Due to the company's actions, cities located downstream of the river must pay for the adverse effects of waste or pollution. River water becomes unfit for drinking. To fulfill their drinking needs, they have to buy clean water.

Pair 3 is correct: Cost of production measured in terms of money is called **Money cost**. It is the **expense incurred by a firm to produce a commodity**. In other words, it is the sum of all the payments to the factors of production engaged in the production of the commodity.

50. Solution: (b)

Exp) Option b is the correct answer.

Markets can be differentiated based on market structure, which is represented by the nature and the level of competition that exists for the goods and services in the market.

Pair 1 is correct: In a **monopoly** market a single firm or business provides the required goods or services in the market without any significant competition by another firm. Hence, the said firm constitutes the entire industry. E.g., **the Indian Railways, Microsoft in cloud computing**, etc.

Pair 2 is incorrect: Oligopoly is a market form in which there are few firms or providers which provide or sell homogenous or differentiated products. It majorly occurs when a small number of firms come together to restrict output or fix prices. E.g., **the mobile phone operators' market in India** consists of a very few operators like JIO, Airtel, BSNL, which determine the demand and supply of the market.

Pair 3 is incorrect: As the name suggests **Monopolistic Competition** has the features of both Monopoly and Perfect competition. Unlike monopoly, it has numerous providers but is characterised by product differentiation (unique changes in the product design or quality). Prima facie, this market looks like a perfect competition but little adjustments in the product/service quality give it the structure of

monopolistic competition. E.g., **The hotel industries in tourist places, though provide overall same facilities but add little product differentiation in terms of swimming pool, cuisine, spa, freebies, etc.**

Supermarkets are example of perfect competition where they stock their aisles from the same set of companies. There is little to distinguish products from one another between two supermarkets and their pricing remains almost the same.

Pair 4 is correct: Perfect competition exists when there are large number of buyers and sellers exist in the market, such that no one can influence the demand or supply in the market on its own. The commodity/services traded in these markets is also homogenous. E.g., **Agricultural market wherein, homogenous goods are sold at a uniform price.**

51. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: Public goods describe products that are non-excludable and non-rival. That means no one can be prevented from consuming them, and individuals can use them without reducing their availability to other individuals. Examples of public goods include fresh air, knowledge, national defense, street lighting, etc.

Statements 2 is incorrect: Common goods/resources are defined as products or resources that are non-excludable but rival. That means virtually anyone can use them. However, if one individual consumes common resources, their availability to other individuals is reduced. The combination of those two characteristics often results in an overuse of common resources. Examples of common resources include freshwater, fish, timber, pasture, etc.

Statement 3 is correct: Both public goods and common goods are **non-excludable in nature.** It means that no one consumer can be stopped from benefiting from the goods.

52. Solution: (c)

Exp) Option c is the correct answer.

The **law of demand** states that, other things remaining the same, **the quantity demanded of a commodity is inversely related to its price**. Other things being equal, if a price of a commodity falls, the quantity demanded of it will rise, and if the price of the commodity rises, its quantity demanded will decline. This law will be applicable only if the below mentioned points are fulfilled:

1. Prices of substitute goods do not change.

2. Prices of complementary goods do not change.

3. Income of the buyer remains the same.

4. There is no change in the tastes and preferences of the buyer.

5. No expectation regarding future change in price.

Option c is correct. If there is expectation of change in future price of product, then the consumers may change their present demand though the prices being constant in present. This may affect the present demand for the product. So, the law of demand has an assumption that there is no expectation regarding the change in the price of the product in future and the consumer should consider only the present price of the product.

53. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correct: Veblen good is a type of luxury good named after American economist Thorstein Veblen. It **shows a positive relationship between price and demand, and thus an upward-sloping demand curve.** The **demand for a Veblen good rise when its price increases.** Veblen goods generally are considered a high-quality exclusive product and a status symbol. When the price goes higher, its status symbol makes the Veblen good more desirable to consumers with high social and economic standing. Some common examples of Veblen goods include **luxury cars, wines, handbags, fine jewelry and watches etc.**

Pair 2 is correct: An inferior good is an economic term that describes a **good whose demand drops when people's incomes rise.** These **goods fall out of favor as incomes and the economy improve as consumers begin buying more costly substitutes** instead. Inferior goods are the opposite of normal goods, whose demand increases even when incomes increase.

Pair 3 is incorrect: The **goods that increase consumption as the price increases are known as the Giffen goods.** Thus, it violates the law of demand by showing an upwards sloping curve of the demand. Moreover, all the Giffen goods are always inferior. However, not all the inferior goods shall be considered as the Giffen. Some examples of it are wheat, potatoes and Rice. **Veblen goods are sometimes confused with Giffen goods. Both these types of goods violate the law of demand by selling more as prices rise.** However, a critical distinction sets these goods apart: **Veblen goods are luxury items, while Giffen goods are inferior goods for which no close substitutes exist**

54. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: Pareto optimality or Pareto efficiency, is an economic state where **resources cannot be reallocated to make one individual better off without making at least one individual worse off.** Hypothetically, if there were perfect competition and resources were used to maximum efficient capacity, then everyone would be at their highest standard of living, or at Pareto efficiency.

Option b is incorrect: The **law of diminishing marginal utility** states that all else equal, as consumption increases, the marginal utility derived from each additional unit declines. In simple terms, it means that the more of an item that you use or consume, the less satisfaction you get from each additional unit consumed or used.

Option c is incorrect: The Taylor Rule (sometimes referred to as Taylor's rule or Taylor principle) is an equation linking the United States of America's Federal Reserve Bank's benchmark interest rate to levels of inflation and economic

growth. The Taylor Rule's formula ties the Fed's key interest rate policy instrument, the federal funds rate, to two factors: the difference between the actual and targeted inflation rates and that between the desired and apparent growth in the real Gross Domestic Product (GDP).

Option d is incorrect: The paradox of thrift is a microeconomic theory that argues that **personal savings can be detrimental to overall economic growth**. It is based on a circular flow of the economy in which current spending drives future spending. It calls for a lowering of interest rates to boost spending levels during an economic recession.

55. Solution: (c)

Exp) Option c is the correct answer.

Engel's Law is an economic theory put forth in 1857 by Ernst Engel, a German statistician. **It states that the percentage of income allocated for food purchases decreases as a household's income rises, while the percentage spent on other things (such as education and recreation) increases.**

Ernst Engel in his study, divided a test group of Belgian families into three groups: "on relief," "poor but independent," and "comfortable." He then broke down their expenditures for food, clothing, housing, education, recreation, and other spending categories.

Engel found that the poorer the group, the greater the percentage of their budget that went to food, while a lesser percentage went, for example, to clothing and education.

Option a is incorrect: Laffer's curve establishes a relationship between tax rates and total tax revenue. It states that tax revenue is not most likely to increase/maximise as tax rates increase.

Option b is incorrect: The Varian Rule holds that "A simple way to forecast the future is to look at what rich people have today; middle-income people will have something equivalent in 10 years, and poor people will have it in an additional decade."

Option d is incorrect: Kuznets curve is used to demonstrate the hypothesis that economic growth initially leads to a greater inequality, followed later by the reduction of inequality. It establishes relationship between income inequality and per capita income.

1.2. National Income

56. Solution: (c)

Exp) Option c is the correct answer.

An economic recession is often defined as a decline of real gross domestic product (GDP) for two consecutive quarters. On the contrary, an economic depression is typically understood as an extreme downturn in economic activity lasting several years. A depression is a more severe recession.

Statement 1 is incorrect: There is a general fall in demand as economic activities takes a downturn during recession. Thus, there is no increase in demand during recession. Similarly, during depression, an extremely low aggregate demand in the economy causes activities to decelerate.

Statement 2 is incorrect: Inflation remains lower and shows further signs of falling during recession. The inflation is comparatively much lower during the times of depression.

Statement 3 is incorrect: Employment rate falls/ unemployment rate grows during both recession and depression. The employment avenues start shrinking forcing the unemployment rate to grow fast during these times.

Statement 4 is correct: Depressions tend to be much more severe, and they tend to last for a much longer period than recession.

57. Solution: (c)

Exp) Option c is the correct answer.

The standard **GDP** is a statistic that calculates the **value of goods and services** produced in a nation's **economy** in a particular year. It is generally a **measure of economic activity** in a country. It **assumes** that the **natural capital** (**raw materials** such as timber, water, coal, petroleum, fertile soil, minerals, etc) that are **required as inputs** for these activities are **constant** and need no accounting.

However recently a new concept called "**Green GDP**" has come to the fore. It believes in **accounting** for the **value of raw materials** provided by **nature** freely as well as the **loss in monetary terms** due to **continuous depletion** of these resources - either due to **overexploitation** or due to **environmental damage** and **pollution** which renders them useless, or hampers in their regeneration.

58. Solution: (d)

Exp) Option d is the correct answer.

Net factor income from abroad is calculated by subtracting Factor income earned by the factors of production of the rest of the world (foreigners) employed in the domestic economy from the Factor income earned by the domestic factors of production (Indians) employed in the rest of the world.

Net Factor Income from Abroad (NFIA) = Factor income earned from abroad – Factor income paid abroad. NFIA is used in macroeconomics to calculate the Gross National Product (GNP). GNP = GDP + NFIA

59. Solution: (c)

Exp) Option c is the correct answer.

The term depreciation refers to an accounting method used to allocate the cost of a tangible or physical asset over its useful life. Depreciation represents how much of an asset's value has been used. It allows companies to earn revenue from the assets they own by paying for them over a certain period of time.

Statement 1 is correct: The monetary value of an asset decreases over time due to use, wear and tear or obsolescence. This decrease is measured as depreciation. Depreciation is an **annual allowance for wear and tear of a capital good**. In other words, it is the cost of the good divided by number of years of its useful life. Assets such as machinery and equipment are expensive. Instead of realizing the entire cost of an asset in year one, companies can use depreciation

to spread out the cost and match depreciation expenses to related revenues in the same reporting period. This allows a company to write off an asset's value over a period of time, notably its useful life.

Statement 2 is correct: Depreciation of fixed capital assets refers to **normal wear and tear and foreseen obsolescence.** Depreciation is also called consumption of fixed capital. Loss of fixed assets happen on account of normal wear and tear, normal rate of accidental damages and expected obsolescence. Depreciation **does not take into account unexpected or sudden destruction or disuse of capital as can happen with accidents**, natural calamities or other such extraneous circumstances.

60. Solution: (d)

Exp) Option d is the correct answer.

Gross domestic product (GDP) is the value of the goods and services produced by the nation's economy less the value of the goods and services used up in production. GDP is also equal to the sum of personal consumption expenditures, gross private domestic investment, net exports of goods and services, and government consumption expenditures and gross investment.

Statement 1 is correct: GDP does not provide information about the distribution of income, which bears importantly on the welfare of individuals within an economy. GDP per capita is only an average. When GDP per capita rises by 5%, it could mean that GDP for everyone in the society has risen by 5% or that the GDP of some groups has risen by more while the GDP of others has risen by less—or even declined.

Statement 2 is correct: GDP does not factor in the increases in technology that improves the well-being. For example, the internet has made it easier for people to arrange for travel directly instead of going through a travel agent—these personal efforts to book travel are not counted in GDP but the services of a travel agent would be counted, leading GDP growth to understate the increase in welfare.

Statement 3 is correct: Another shortcoming of GDP as a measure of economic well-being is **GDP's exclusion of non-market activities that create welfare for households.** Because GDP uses market prices to value goods and services, it excludes the value of almost all activity that takes place outside markets. Child care provided in day-care centers is part of GDP, whereas child care by parents at home is not. Volunteer work also contributes to the well-being of those in society, but GDP does not reflect these contributions.

Statement 4 is correct: Externalities refer to the benefits (or harms) a firm or an individual causes to another for which they are not paid (or penalised). Externalities do not have any market in which they can be bought and sold thus they are not part of GDP calculation. For example, let us suppose there is an oil refinery which refines crude petroleum and sells it in the market. We can estimate the value added of the refinery. The value added of the refinery will be counted as part of the GDP of the economy. But in carrying out the production the refinery may also be polluting the nearby river. This may cause harm to the people who use the water of the river. Hence their well-being will fall.

61. Solution: (a)

Exp) Option a is the correct answer.

There are several economic indicators to measure the growth in any country. Income is among the prominent indicators. Some of the different variants are:

Statement 1 is incorrect – Personal Disposable income and not personal income means the actual income which can be spent on consumption by individuals and families. The whole of the personal income cannot be spent on consumption, because it is the income that accrues before direct taxes have actually been paid. Therefore, in order to obtain disposable income, direct taxes are deducted from personal income. Thus, Disposable Income=Personal Income – Direct Taxes.

Statement 2 is incorrect. National Disposable Income = Net National Product at Market Prices + Other current transfers from rest of the world.

The idea behind National Disposable Income is that it gives an idea of what is the maximum amount of goods and services the domestic economy has at its disposal. Current transfers from the rest of the world include items such as gifts, aids, etc.

Statement 3 is correct. Transfer payments is the payment by the government in grants, allowances, pensions etc to people such as pensioners, widows, sick or unemployed people or others with little or no income. **Transfers are not included in GDP**, because they do not represent production. Transfer payment doesn't involve a return of any productive service from the beneficiaries to the government. Transfer payments are a part of personal income and thus, are not considered as part of the GDP so as to prevent counting the same money twice.

62. Solution: (a)

Exp) Option a is the correct answer.

There are various indicators to gauge the health of the economy. GDP and GVA are the prominent ones. Features of those are:

Statement 1 is incorrect - While GVA gives a picture of the state of economic activity from the producers' side or supply side, the GDP gives the picture from the consumers' side or demand perspective. Both measures need not match because of the difference in treatment of net taxes. This is one of the reasons that in the first quarter of 2015, GDP growth was stronger at 7.5%, while GVA growth was 6.1%. GDP is the is the sum of private consumption, gross investment in the economy, government investment, government spending and net foreign trade (difference between exports and imports).

Statement 2 is incorrect - The United Nations System of Accounts, 2008 (UNSNA, 2008) differentiates between product taxes and production taxes. It defines taxes on products as taxes on goods and services that become

payable as a result of the production, sale, transfer, leasing or delivery of those goods or services, or as a result of their use for own consumption or own capital formation. Taxes on production consist mainly of taxes on the ownership or use of land, buildings or other assets used in production or on the labour employed, or compensation of employees paid. Some examples of production taxes are land revenues, stamps and registration fees and tax on profession. Some examples of product taxes are excise tax, sales tax, service tax and import and export duties.

Statement 3 is correct - Production taxes or production subsidies are paid or received with relation to production and are independent of the volume of actual production. It is often imposed even if the products are not produced. Some production subsidies include subsidies to Railways, input subsidies to farmers, subsidies to village and small industries, administrative subsidies to corporations or cooperatives, etc. Product subsidies include food, petroleum and fertilizer subsidies, interest subsidies given to farmers, households, etc. through banks.

63. Solution: (b)

Exp) Option b is the correct answer.

Gross national income (GNI) is an alternative to gross domestic product (GDP) as a measure of wealth. It calculates income instead of output. GNI can be calculated by adding income from foreign sources to gross domestic product.

Option a is incorrect - GNI is the total income received by the country from its residents and businesses regardless of whether they are located in the country or abroad. **Gross National Product (GNP)** includes the **income of all of a country's residents** and businesses whether it flows back to the country or is spent abroad.

Option b is correct - The World Bank assigns the world's economies to four income groups—low, lower-middle, upper-middle, and high-income countries. **The classifications are updated each year on July 1 and are based on GNI per capita in current USD (using the Atlas method exchange rates) of the previous year.** As of 1 July 2020, low-income economies are defined as those with a GNI per capita of $1,045 or less in 2020; lower middle-income economies between $1,046 and $4095; upper middle-income economies between $ 4095 and $12,375; high-income economies as $12,376 or more.

Option c is incorrect - GNI can be much higher than GDP if a country receives a large amount of foreign aid, as is the case with East Timor. Conversely, it can be much lower if foreigners control a large proportion of a country's production, as is the case with Ireland. For nations, like the US, there is little difference between GDP and GNI, since the difference between income received versus payments made to the rest of the world does not tend to be significant.

Option d is incorrect- Product taxes that are not already accounted for in GDP are added to GNI, while subsidies are subtracted. To convert a nation's GDP to GNI, three terms need to be added to the former: 1) Foreign income paid to resident employees), 2) Foreign income paid to residential property owners and investors, and 3) net taxes minus subsidies receivable on production and imports

64. Solution: (a)

Exp) Option a is the correct answer.

Gross Domestic Product (GDP) is the value of all final goods and services produced within the boundary of a nation for one year.

Statement 1 is correct: Historically the Central Statistics Office (CSO) was responsible for estimating GDP figures in India. In 2022, the Central Statistics Office **(CSO) was merged** with the National Sample Survey Office (NSSO) to form the **National Statistical Office (NSO).** Hence currently the NSO is responsible for estimating GDP figures in India.

Statement 2 is incorrect: The **base year for GDP calculation in India was revised to 2011-12** from earlier 2004-05. It is important to note that base years may change over time as the economy evolves and statistical methods are updated. Recently, NSO proposes to replace the GDP series of **2011-12 base-year with a new set of National Accounts using 2017-18** as the base year but is yet to be approved by the Government of India.

Statement 3 is incorrect: GDP calculated at market prices represents the total economic output of goods and services produced **within a country**. It **includes taxes and excludes subsidies** on products.

National income is a comprehensive concept that goes beyond GDP, incorporating factors such as net foreign income, depreciation, and indirect taxes (minus subsidies). To gauge national income, we use **Net National Product at factor cost**, which encompasses income earned by Indians and subsidies from the government while excluding indirect taxes.

NNP at factor cost = NNP at market prices – Indirect taxes + Subsidies.

65. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is incorrect. GDP is **not a measure of the overall standard of living** or well-being of a country. Although changes in the output of goods and services per person (GDP per capita) are often used as a measure of whether the average citizen in a country is better or worse off, it does not capture things that may be deemed important to general well-being.

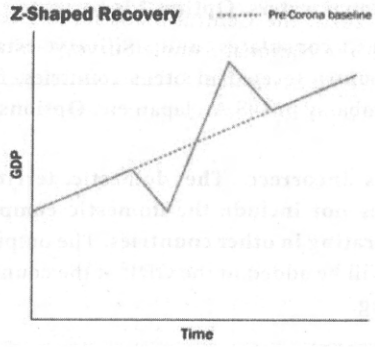
Statement 2 is correct. When GDP of India is increasing constantly it means that there is a **growth in the consumption rate** of the country. Each of the components of **aggregate demand** contribute to growth in GDP. The size of the contribution to growth is determined by both the size of the component and its growth rate. Consumption accounts for more than half of GDP and tends to grow at a steady rate, so it almost always makes a large contribution to GDP growth.

Statement 3 is incorrect. Growth of GDP depends on many factors and if there is increase in export it does not necessarily indicates GDP growth.

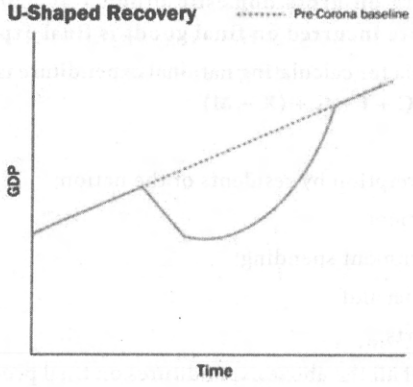
66. Solution: (d)

Exp) Option d is the correct answer.

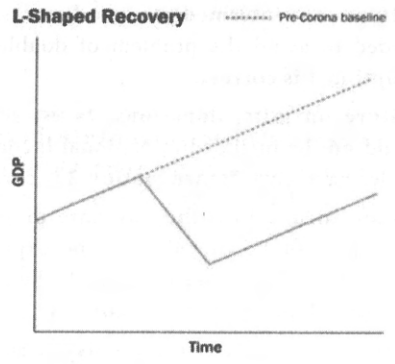
Pair 1 is *incorrect*ly matched. Z-shaped recovery: It is the most-optimistic scenario in which the **economy quickly rises after an economic crash.** It makes up more than for lost ground before settling back to the normal trend-line, thus forming a Z-shaped chart. In this **economic disruption lasts for a small period** wherein more than people's incomes, it is their ability to spend is restricted.



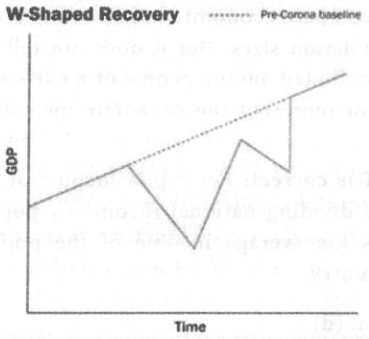
On the other hand, U-shaped recovery is a scenario in which the economy, after falling, struggles around a low growth rate for some time, before rising gradually to usual levels.



Pair 2 is *incorrect*ly matched. L-shaped recovery: In this, the economy **fails to regain the level of GDP even after years go by.** The shape shows that there is permanent loss to the economy's ability to produce.



Pair 3 is correctly matched. W-shaped recovery: In W-shaped recovery **growth falls and rises, but falls again before recovering, thus forming a W-like chart.** The double-dip depicted by a W-shaped recovery can be due to the second wave of the pandemic.



67. Solution: (a)

Exp) Option a is the correct answer

Even though the terms economic development and economic growth sound similar, there is a significant difference between the two.

Statement 1 is incorrect: Economic growth refers to an increase in the real output of goods and services in the country. In other words, the increase should be in terms of increase of output of goods and services, and not due to a mere increase in the market prices of existing goods.

Economic development implies changes in income, savings and investment along with progressive changes in socioeconomic structure of country (institutional and technological changes).

Economic development is defined as a sustained improvement in material well-being of society. Economic development is a wider concept than economic growth.

Statement 2 is correct: Economic Growth relates to a gradual increase in one of the components of Gross Domestic Product: consumption, **government spending**, investment, net exports.

Economic Development relates to growth of human capital, decrease in inequality figures, and structural changes that improve the quality of life of the population.

Statement 3 is incorrect: Economic Growth is measured by **quantitative factors such as increase in real GDP or per capita income.**

The qualitative measures such as HDI (Human Development Index), gender- related index, Human poverty index (HPI), infant mortality, literacy rate etc. are used to measure economic development

68. Solution: (c)

Exp) Option c is the correct answer.

'Base year' in National Income accounting means the year whose prices are being used to calculate the real GDP. The base year of the national accounts is chosen to enable inter-year comparisons. It gives an idea about changes in purchasing power and allows calculation of inflation adjusted growth estimates. The last series has changed the base to 2011-12 from 2004-05.

69. Solution: (d)

Exp) Option d is the correct answer.

Statement I is incorrect. The per capita income is a key indicator to compare economic indicators of countries with different population sizes. But it does not tell us how this income is distributed among people of a particular country, i.e. it does not represent the economic inequality within a country.

Statement II is correct: Per capita income of a country is calculated by dividing national income by population size. It only gives the average income of the population of a particular country.

70. Solution: (d)

Exp) Option d is the correct answer.

Let's break down the relationship between the value of transactions, nominal GDP, and real GDP.

1) Nominal GDP represents the total monetary value of all final goods and services produced in an economy during a specific period, **without adjusting for inflation or deflation. It is calculated using current market prices.**
2) Real GDP, on the other hand, also represents the total monetary value of all final goods and services produced in an economy during a specific period but **is adjusted for inflation or deflation. It is calculated using constant prices.**
3) **The value of transactions** refers to the total monetary value of all goods and services exchanged in an economy during a specific period. This **includes the transactions during production of final goods and services, production of intermediate goods and services as well as the resale of existing goods and services. Therefore, the value of transactions is much greater than nominal GDP.**
4) An increase in nominal GDP signifies a rise in the total monetary value of all goods and services produced in an economy, capturing transactions at current market prices. **As the value of transactions is a component of nominal GDP, their relationship is direct, meaning that an increase in nominal GDP implies a proportional increase in the total value of transactions.**
5) **Similarly, an increase in real GDP indicates that there is more economic activity happening in the country, which leads to more transactions taking place. Therefore, the value of transactions is also directly proportional to real GDP.**

Therefore, the value of transactions is directly proportional to both nominal GDP and real GDP.

Value of transactions Nominal GDP and Value of transactions Real GDP.

71. Solution: (c)

Exp) Option c is the correct answer.

Gross Domestic Product is the money value of all the final goods and services produced within **the domestic territory** of a country during an accounting year.

Domestic territory of a country includes the following-

1) **Political frontiers of the country including its territorial waters. Option 1 is correct.**
2) Ships, and aircraft operated by the normal residents of the country between two or more countries.
3) **Fishing vessels, oil and natural gas rigs and floating platforms operated by the country's residents in international waters. Option 2 is correct.**
4) **Embassies, consulates and military establishments** of the country located in other countries, for example, Indian embassy in U.S.A., Japan etc. **Options 3 and 4 are correct.**

Option 5 is incorrect. The domestic territory of the country does not include the domestic company of that country operating in other countries. The output from such a company will be added to the GDP of the country in which it is operating.

72. Solution: (d)

Exp) Option d is the correct answer.

The Expenditure Method of calculating national income estimates the national income by measuring **final expenditure on gross domestic product at market price. Expenditure incurred on final goods is final expenditure.**

The formula for calculating national expenditure is: **National income = C + I + G + (X − M)**

Where,

C = Consumption by residents of the nation;

I = Investment;

G = Government spending;

X = Exports; and

M = Imports.

The sum of all the above expenditures on final products of all the sectors of the economy gives us gross domestic product at market price.

Expenditure on following is not included while calculating national income by this method-

1) **Expenditure on intermediate products** should not be included to avoid the problem of double counting. **Hence, option 1 is correct.**
2) **Expenditure on gifts, donations, taxes, scholarships etc.** should not be included in National Income as these are transfer payments. **Hence, option 2 is correct.**
3) Expenditure incurred on **the purchase of secondhand goods** should not be included as the expenditure on these goods has already been included when bought for the first time. **Hence, option 3 is correct.**
4) Expenditure on **the purchase of bonds and shares** should not be included as these are financial transactions. **Hence, option 4 is correct.**

73. Solution: (a)

Exp) Option a is the correct answer.

Gross Value Added represents the value of goods and services produced in an economy before accounting for indirect taxes and subsidies. **Gross Domestic Product** represents the total value of final goods and services produced in a country within a specific period (usually a year). It includes indirect taxes levied by the government.

Gross Domestic Product (GDP) is equal to Gross Value Added (GVA) plus net taxes, which are calculated by subtracting subsidies from taxes. In formula it can be written as –

GDP= GVA + (Taxes - subsidies)

Thus, if taxes are increased and subsidies are decreased, then GDP will be more than GVA, which will **increase the gap between the two.**

74. Solution: (c)

Exp) Option c is the correct answer.

The **gross domestic product (GDP) price deflator** is a **formula** that **measures** the **amount** that the **real value of an economy's total output** is **reduced by inflation**. It **helps economists track more accurately how the economy is faring over time**, while **taking inflation into account**.

Statement 1 is correct: The **GDP Deflator** is a **broad measure of price inflation within an economy** that includes the **prices of all domestically produced final goods and services**. It **reflects the changes** in price **levels from one year to another** and is **calculated** by **dividing the nominal GDP by the real GDP**, then multiplying by 100 i.e. in equation format, this is represented as -

GDP Price Deflator = (Nominal GDP ÷ Real GDP) × 100

It focuses on the **value of goods** and **services produced within the country** during the year, **excluding imports**. **Only final goods** used **by consumers or for investment are considered, not intermediate goods** used in production.

Statement 2 is correct: The GDP deflator, also called implicit price deflator, is a measure of inflation. It is the ratio of the value of goods and services an economy produces in a particular year at current prices to that of prices that prevailed during the base year. This ratio helps show the extent to which the increase in gross domestic product has happened on account of higher prices rather than an increase in output. Since the deflator covers the entire range of goods and services produced in the economy — as against the limited commodity baskets for the wholesale or consumer price indices — it is seen as a more comprehensive measure of inflation.

75. Solution: (d)

Exp) Option d is the correct answer.

Inclusive growth is *economic growth* that is distributed fairly across society and creates opportunities for all. The following measures may bring inclusive growth in India:

Statement 1 is correct: Encourage job creation in the formal sector by reducing the administrative burden for dismissal faced by large firms, while strengthening the public employment service, training and re-employment support.

Statement 2 is correct: Strengthen accountability within the education sector, and raise the quality of teaching, including through better school infrastructure.

Statement 3 is correct: Foster investment by **promoting responsible business conduct** and further easing restrictions on foreign direct investment.

Statement 4 is correct: Empower local governments to take responsibility for infrastructure projects, and ensure that higher levels of government provide incentives for cross-jurisdictional co-ordination.

76. Solution: (d)

Exp) Option d is the correct answer.

The **Goldilocks scenario** in an economy is a **term stolen** from a line from the **popular children's story Goldilocks and the Three Bears**. Consequently, the '**Goldilocks scenario**' can be understood to describe an **ideal state for an economic system**. In this perfect state, there is **full employment, economic stability**, and **stable growth.**

Option a is incorrect: High inflation and low employment growth typically indicate an economy that is overheating or possibly **entering a stagflation scenario**, not a Goldilocks scenario. **Stagflation is a condition of slow economic growth and relatively high unemployment**—a period of stagnation—accompanied by rising prices (inflation).

Option b is incorrect: A period of rapid expansion followed by a severe contraction describes a **boom-and-bust cycle** rather than a Goldilocks scenario. **Such cycles are characteristic of volatile economies** and **can lead to significant economic instability**, contrary to the steady and balanced growth seen in a Goldilocks scenario.

Option c is incorrect: An economy experiencing deflation and high rates of unemployment is facing economic challenges that are the **opposite of what is desired in a Goldilocks scenario. Deflation, a decrease in the general price level of goods and services, can lead to decreased consumer spending**, which can exacerbate unemployment and slow down economic growth.

Option d is correct: The term "**Goldilocks scenario**" refers to a situation that is **neither too hot nor too cold**, or in **economic terms, not too much growth** to **cause inflation**, nor **too little causing a recession**. It describes an **ideal state for an economy**, where the **pace of growth is steady** and **sustainable, inflation is low and under control**, and **unemployment rates are minimal**, leading to a balanced and healthy economic environment.

77. Solution: (c)

Exp) Option c is the correct answer.

Purchasing Power Parity (PPP) is a widely used macroeconomic metric that helps compare economic productivity and living standards across countries.

This concept revolves around an economic theory that assesses different countries' currencies by comparing a

standardised "basket of goods." **In simpler terms, PPP determines the exchange rate at which one country's currency can buy the same quantity and quality of goods as another country's currency.**

When applying PPP, two currencies are considered to be in equilibrium or at parity when the prices of the basket of goods are equal in both countries, factoring in the prevailing exchange rates.

Let's consider an example using Indian Rupees (INR) and US Dollars (USD):

Suppose a laptop costs $1000 in the United States and an equivalent laptop cost ₹75,000 in India. To calculate the purchasing power parity (PPP) exchange rate between INR and USD, we divide the price in INR by the price in USD:

₹75,000 / $1000 = ₹75 per USD

According to PPP, this implies that 1 US Dollar should be equivalent to ₹75 for the purchasing power to be equal in both countries.

Statement I is correct: India holds the position of the world's **third-largest economy in terms of Purchasing Power Parity (PPP)**, signifying that when converting India's GDP from Indian Rupees (INR) to a common currency (typically US Dollars) using PPP exchange rates, India ranks third globally in economic output. This ranking reflects India's actual purchasing power relative to other major economies, adjusting for variances in price levels across nations.

Statement II is incorrect: India's rank, in terms of per capita income, is 141st (out of 189) in July 2023. India's per capita income of $1,438 in 2013-14 has increased to $2,389 in 2022-23, at a compounded annual growth rate of 5.8 per cent.

78. Solution: (b)

Exp) Option b is the correct answer.

Disposable income refers to the amount of money an individual or household has available for spending, saving, and investing after taxes have been subtracted from their total income. **Disposable income** represents the portion of income that can be used freely by individuals for various purposes, such as purchasing goods and services, making savings contributions, paying for discretionary expenses, or investing in assets.

It refers to the income that remains after taxes have been **subtracted from total income.** Disposable income is what individuals or households have available for spending and saving after fulfilling their tax obligations.

79. Solution: (c)

Exp) Option c is the correct answer.

1) **Saving rates, often expressed as a percentage, represent the portion of disposable income that individuals or entities choose to save rather than spend on consumption.**
2) **Disposable income** refers to the income remaining after taxes have been deducted.
3) Saving includes various forms of putting money aside for future use, such as depositing funds into savings accounts, purchasing financial assets like stocks or bonds, or investing in real assets like property or commodities.
4) Saving rates can be calculated at the individual, household, or national level and are an essential component of overall economic health and stability.

Option 1 is correct:

1) When individuals and households save more, financial institutions accumulate a larger pool of funds available for lending.
2) These **funds are then channelled into investments in various sectors of the economy**, such as businesses expanding operations, infrastructure development, etc.
3) Increased investment can stimulate economic growth by boosting productivity, creating job opportunities, and fostering innovation.
4) As a result, **high saving rates often correlate with higher levels of investment, which contributes to overall economic expansion.**

Option 2 is correct: Increased domestic/household savings generally lead to increased finance investments in the economy, thus diminishing the need to rely materially on external capital inflows and decreasing the demand for external/foreign capital.

Option 3 is correct: Bonds are fixed-income securities issued by governments, corporations, or other entities to raise capital. **High saving rates can lead to increased demand for bonds as savers seek secure investment options with relatively predictable returns.** The heightened demand for bonds can **drive up their prices in the bond market, causing bond yields to decrease.**

80. Solution: (b)

Exp) Option b is the correct answer.

Gross capital formation (GCF) refers to the aggregate of gross additions to fixed assets (i.e., fixed capital formation), increase in stocks of inventories and net acquisition of valuables.

Option 1 is incorrect: Acquisition of Defense Equipment:

Excluded from GCF: Defense equipment purchases **are not considered part of GCF.** When the government acquires defense equipment (such as military hardware, vehicles, or weapons), it is primarily for national security and defense purposes. While these acquisitions contribute to economic activity, they are not directly related to increasing the productive capacity of the economy. Therefore, they are not included in GCF calculations.

Option 2 is correct: Purchase of Draught Animals:

Included in GCF: The purchase of draught animals (such as oxen or horses) is considered part of GCF. Draught animals are essential for agricultural activities, transportation, and other productive purposes. When farmers or businesses invest in acquiring draught animals, they are directly contributing to the capital stock of the economy. These animals assist in

ploughing fields, pulling carts, and performing other tasks necessary for economic production.

Option 3 is correct: Expenditure on Net Acquisition of Valuables:

Included in GCF: Expenditure on net acquisition of valuables is included in GCF. Valuables refer to items like gold, jewellery, and precious stones. When individuals or institutions acquire these valuables, they are considered investments in tangible assets. While they may not directly contribute to production, they are part of the overall capital formation process.

Option 4 is correct: Planting and Cultivating New Orchards:

1. **Included in GCF**: Planting and cultivating new orchards contribute to GCF.
2. Establishing new orchards involves significant investment in land preparation, planting trees, irrigation systems, and ongoing maintenance. Orchards yield fruits, nuts, or other agricultural products, which enhance the productive capacity of the economy. Therefore, this activity is considered part of GCF.

Option 5 is incorrect: Purchase of Durable Goods by Households:

1. **Excluded from GCF**: Household purchases of durable goods (such as cars, appliances, or electronics) are also **excluded from GCF.**
2. **Explanation**: While durable goods contribute to economic activity and consumer spending, they are not considered investments in fixed assets. These goods do not directly enhance the productive capacity of the economy. Therefore, they are not part of GCF.

81. Solution: (a)

Exp) Option a is the correct answer.

The Paradox of Thrift is a concept in economics that highlights a potential contradiction between individual behavior and its collective impact on the economy. It was popularized by the British economist **John Maynard Keynes during the Great Depression in the 1930s**. The paradox arises from the interaction between saving and consumption at the macroeconomic level.

At an individual level, thriftiness or saving is often considered a virtue. When individuals save money, they are setting aside a portion of their income for future use, which can provide financial security, help in achieving long-term goals, and create a safety net for unforeseen circumstances.

However, **when many individuals simultaneously increase their savings, particularly during economic downturns or periods of uncertainty, it can lead to adverse effects on the overall economy.** This is where the paradox comes into play.

The paradox arises because while saving is beneficial at an individual level, if everyone in the economy saves more and consumes less, it can have detrimental effects on aggregate demand, which is the total demand for goods and services in the economy.

When **people save more and spend less, there is a reduction in consumption expenditure**, which is a significant component of aggregate demand. **This decrease in consumption can lead to a decrease in overall demand** for goods and services in the economy, which in turn can result in lower production levels, decreased investment, rising unemployment, and economic stagnation.

In other words, what may be good for an individual—increased saving for future security—can have negative consequences when viewed collectively. This is because one person's spending is another person's income in the economy. When everyone saves more and spends less, businesses earn less revenue, leading to reduced hiring and potential layoffs, which further dampens overall economic activity.

Keynes argued that during economic downturns, when private sector spending is insufficient to maintain full employment and stimulate economic growth, **government intervention through fiscal policy, such as increased government spending or tax cuts, is necessary to boost aggregate demand** and offset the effects of the paradox of thrift.

In summary, **the Paradox of Thrift underscores the complex interplay between individual behavior and macroeconomic outcomes. While saving is prudent at an individual level, excessive saving by many individuals can contribute to economic weakness by reducing overall demand and potentially prolonging periods of economic downturns.**

82. Solution: (c)

Exp) Option c is the correct answer.

Option 1 is correct: Net compensation of employees: This refers to the net earnings or compensation received by Indian citizens who are employed in foreign countries. Since this represents **income earned by residents of India from their employment abroad, it contributes positively to NFIA**

Option 2 is correct: Net interest on external loans include balance of inflow (on the money lent out) and outflow (on the money borrowed) interest payments.

Option 3 is correct: Net income from property and entrepreneurship:This refers to the net profits or earnings generated by companies based in India from their operations or investments abroad. Since these **earnings are considered as income earned by resident companies of India from their activities abroad, they contribute positively to NFIA.**

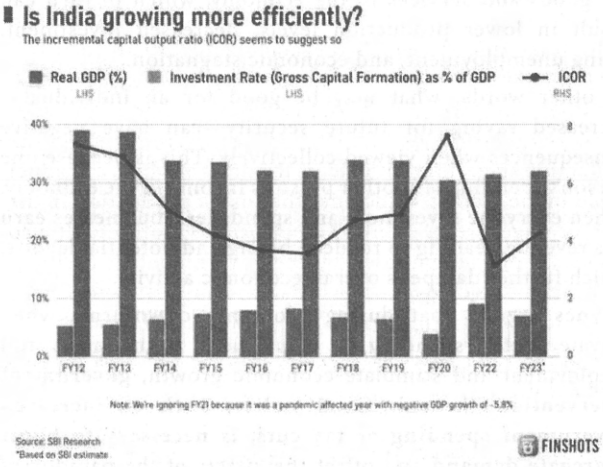
83. Solution: (d)

Exp) Option d is the correct answer.

The Incremental Capital Output Ratio (ICOR) measures the amount of capital required to generate an additional unit of output in an economy. A lower ICOR indicates higher efficiency in resource utilization and economic growth. Governments and policymakers use ICOR to assess investment effectiveness and plan economic development strategies accordingly.

ICOR = Change in Capital / change in output = Investment in % of GDP/ % change in GDP

Statement-I is incorrect: The ICOR in India has not been decreasing consistently in the past five years. According to SBI report there has been an increase in ICOR in FY20 and decrease in FY22.



Statement-II is correct: A lower Incremental Capital Output Ratio (ICOR) signifies enhanced efficiency in investment, necessitating less capital for each unit of output. This efficiency leads to heightened productivity and economic growth, allowing for the achievement of greater output with either the same amount of capital or even less. The decrease in ICOR is attributed to factors such as economic and technical innovation, where companies develop cost-effective solutions that require minimal capital investment.

Statement-I is incorrect, but Statement-II is correct.

84. Solution: (c)

Exp) Option c is the correct answer.

A recession, according to the International Monetary Fund (IMF), refers to a significant decline in economic activity characterized by reduced GDP, employment, and investment. It often involves decreased consumer spending and business confidence.

A technical recession is commonly defined as two consecutive quarters of negative growth in a country's Real Gross Domestic Product (GDP). This decline signifies a contraction in economic activity, including reduced consumer spending, investment, and production. It may result from various factors such as decreased consumer confidence, reduced business investment, or external shocks.

85. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: Gross National Product (GNP) and not the Net Domestic Product (NDP) is the market value of all final goods and services produced by the citizens of a country during a specific period.

Net Domestic Product (NDP) measures the value of goods and services produced within a country's borders after accounting for depreciation, providing a more accurate reflection of economic output.

Statement 2 is correct: NDP is calculated by subtracting depreciation from GDP. It excludes the value of depreciation. This is because depreciation is a measure of the capital that has been consumed during the production process and needs to be accounted for to estimate the net production of an economy.

Statement 3 is incorrect: The Net Domestic Product (NDP) of an economy is lower than its Gross Domestic Product (GDP) because NDP is calculated by subtracting depreciation from GDP. Depreciation accounts for the wear and tear on capital assets over time, which reduces the overall value of goods and services produced.

86. Solution: (b)

Exp) Option b is the correct answer.

For certain goods and services, it is undesirable for prices to drop below a certain level. Therefore, the government establishes minimum prices, known as price floors, for these goods and services to prevent their prices from falling below a specified threshold.

A price floor is a regulatory measure implemented by governments to ensure fair incomes for producers, particularly in agricultural markets, by preventing prices from falling below a certain level. This intervention is often used in agricultural markets to ensure farmers receive a fair income for their produce. However, price floors can also have unintended consequences, such as surpluses and deadweight loss, if the minimum price is set too high.

87. Solution: (a)

Exp) Option a is the correct answer.

Option 1 is correct. The total final value of goods and services produced within the domestic territory of a country in a specified time period (generally a financial year) is called cross domestic product (GDP). For the calculation of GDP place of production is primary concern and not whether it is produced by Domestic or Foreign Nationals. So, **for calculating GDP,the income generated by foreigners in a country is taken into consideration.**

Option 2 is correct. Net Domestic Production (NDP) = GDP – Depreciation. So, **for calculating NDP income generated by foreigners in a country is taken into consideration. As NDP is derived from GDP, it also includes income from foreign nationals excluding the depreciation.**

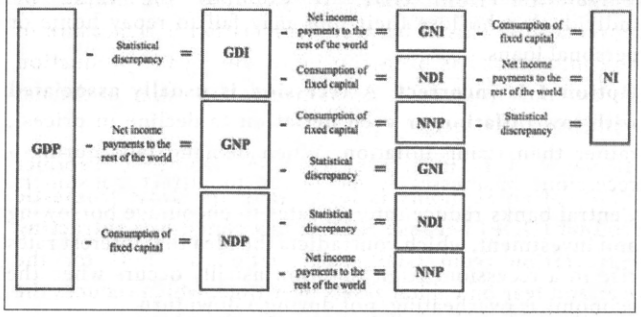
Option 3 is incorrect. The gross national product (GNP) is the total production by the persons or the corporation native to a country including those who are based abroad. **GNP excludes domestic production by foreigners.**

Option 4 is incorrect. In calculation of Net National Product, Depreciation is subtracted from Gross National Product which can be represented as-

Net National Product (NNP) = GNP – Depreciation.

So, **for calculating NNP, income generated by foreigners in a country is not taken into consideration.**

Important Tips



88. Solution: (c)

Exp) Option c is the correct answer.

Option a is incorrect. "Depreciation" means **decline in the value of a fixed asset** due to use, passage of time or obsolescence.

Option b is incorrect. The process of gradually paying off a loan **is related to financial accounting** and not National Income accounting. In the context of National Income, amortization specifically refers to writing off the cost of intangible assets, not the repayment of loans.

Option c is correct. Amortization refers to **writing-off the cost of intangible assets** like patents, copyright, trademarks, franchises, goodwill which have utility for a specified time. The procedure for amortization or periodic write-off of a portion of the cost of intangible assets is the same as that for the depreciation of fixed assets

Option c is incorrect. A government's reduction of its debt through regular payments means **debt reduction through regular payments, which is not related to the concept of amortization** in the context of National Income.

89. Solution: (d)

Exp) Option d is the correct answer.

A Genuine Progress Indicator (GPI) is a metric used to measure the economic growth of a country. The GPI nets the positive and negative results of economic growth to examine if it has benefited people overall. **This makes GPI a more comprehensive indicator of development than Gross Domestic Product, which is a mere measure of final goods and services produced in the country in a given period.**

Statement 1 is correct. GPI considers social and environmental factors such as income distribution and **environmental degradation**, providing a more holistic assessment of well-being compared to GDP, which mainly focuses on economic output.

Statement 2 is correct. Unlike GDP, **GPI values unpaid household work**, such as caregiving and homemaking, recognizing its contribution to overall well-being.

Statement 3 is correct. GPI **includes indicators related to quality of life,** such as health outcomes, education levels, **and leisure time,** which are important components of overall well-being but are not captured by GDP measurements.

Statement 4 is correct. GPI **evaluates economic resilience** by considering factors such as savings rates, debt levels, and vulnerability to economic shocks.

90. Solution: (a)

Exp) Option a is the correct answer

Statement 1 is incorrect: Gross Domestic Product (GDP) at market cost and GDP at factor cost represent different methods on the calculation of a country's GDP. **Factor cost** is the total amount which the manufacturer had to invest in production of a good or commodity. It doesn't include any taxes imposed on the final product. But it includes the subsidies provided to the manufacturer during the production stage. **Market Price** is the price at which a product is sold in the market. It includes the cost of production in the form of wages, rent, interest, input prices, profit etc. It also includes the taxes imposed by the government. It excludes Government subsidy.So the relationship between Factor price and Market price is

GDP at market price = GDP at factor cost + Indirect Taxes – Subsidies

The relationship between GDP at market cost and GDP at factor cost can vary depending on the relationship between indirect taxes and subsidies. Hence the given statement is not always true.

Statement 2 is incorrect: Nominal GDP refers to the current year production of final goods and services valued at current year prices. **Real GDP** refers to the current year production of goods and services valued at base year prices which are constant prices. Typically, **Real GDP is lower than Nominal GDP when the economy experiences inflation.** Conversely, **Real GDP may be higher than Nominal GDP during deflationary periods when prices are falling but not generally higher than Nominal GDP.**

Statement 3 is correct: Gross National Product (GNP) measures the **total value of all final goods and services produced by the residents of a country** (both domestically and abroad) within a specific period, typically a year. Net National Product (NNP) is derived from GNP by subtracting depreciation (also known as capital consumption). NNP at market price is generally lower than GNP at market price because **depreciation reduces the value of the total output when calculating NNP.**

91. Solution: (c)

Exp) Option c is the correct answer.

According **to the Reserve Bank of India (RBA), a recession is a sustained period of weak or negative growth in real GDP (output) that is accompanied by a significant rise in the unemployment rate.** Following the recent global economic crisis, much of the news is dominated by predictions over the onset of recession.

Option a is incorrect: Lowering interest rates is a common strategy during a recession, known as a dovish monetary policy. It aims to make borrowing cheaper, encouraging businesses and consumers to spend and invest more, thus stimulating economic activity.

Option b is incorrect: Increasing public expenditure is another typical response to a recession. By spending more on public projects, the government can directly inject money

into the economy, create jobs, and stimulate demand, which can help counteract the downturn.

Option c is correct: Imposing restrictions on exports during a recession is generally unlikely and counterproductive. Exports are a source of foreign income and can help balance a decrease in domestic demand. Restricting them might preserve domestic resources but can lead to retaliatory measures from trading partners and reduce the country's income from foreign markets, potentially worsening the economic situation.

Option d is incorrect: Providing tax incentives to businesses and individuals is a measure government often takes to encourage investment and spending during a recession. By reducing the tax burden, more money is left in the hands of consumers and investors, which can help stimulate economic activity.

Important Tips

1) A practical definition of recession is that there are two consecutive quarters of decline in a country's real (inflation-adjusted) gross domestic product (GDP), where GDP is the value of all goods and services a country produces. Two G7 economies slipped into recession at the end of 2023 - Japan and the UK - as consumer spending slowed.
2) Simultaneous, or synchronized, recessions have occurred in advanced economies several times in the past four decades—the mid-1970s, early 1980s, early 1990s, and early 2000s.
3) Because the United States is the world's largest economy and has strong trade and financial linkages with many other economies, most of these globally synchronized recession episodes also coincide with U.S. recessions.

92. Solution: (b)

Exp) Option b is the correct answer.

A recession can be defined as a sustained period of weak or negative growth in real GDP (output) that is accompanied by a significant rise in the unemployment rate. Many other indicators of economic activity are also weak during a recession.

Option 1 is correct: During a recession, businesses experience lower revenues and profits, leading them to cut costs. One of the primary ways companies reduce expenses is by laying off employees or freezing hiring. This results in **higher unemployment rates** and job insecurity, which further reduces consumer spending, creating a downward economic spiral.

Option 2 is incorrect: Recessions are characterized by low consumer spending and lower growth, as people become cautious about their financial future due to job losses, lower wages, or uncertainty. If consumer spending remains high, the economy may not be in a true recession.

Option 3 is correct: When the economy slows down, businesses and individuals **struggle to repay loans**, leading to a rise in **Non-Performing Assets** for banks. Companies facing lower profits may default on corporate loans, while individuals who lose their jobs may fail to repay home or personal loans.

Option 4 is incorrect: A recession is usually associated with low inflation or even deflation (a decline in prices), rather than rising inflation. When demand falls during a recession, businesses lower prices to attract consumers. Central banks reduce interest rates to encourage borrowing and investment, which contradicts the idea that interest rates rise in a recession. High inflation usually occurs when the economy is overheating, not during a downturn.

93. Solution: (c)

Exp) Option c is the correct answer.

- **GDP** counts what's produced **within a country's borders, regardless of who produces it.**
- **GNP** counts what's produced **by a country's citizens, regardless of where they produce it.**
- The difference comes down to **"Net Factor Income from Abroad" (NFIA).**
- **Relationship between GDP and GNP:**

GNP = GDP + [inward remittances of a country – outward remittances from the country]

GNP = GDP + NFIA.

Where NFIA is the Net Factor Income from Abroad i.e. inward remittances of a country – outward remittances from the country.

- NFIA is the difference between income earned by a nation's citizens abroad and income earned by foreigners within the nation. **If NFIA is positive, meaning citizens earn more abroad than foreigners earn domestically, then GNP will be higher than GDP.**
- Essentially, GNP factors in the **financial activity of a nation's citizens**, where GDP is concerned with **activity within a nation's borders.**

94. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: The base year is the **reference point used to compare economic data over time**, and it's essential to keep it updated to reflect the changing structure of the economy.**The current base year for GDP calculations in India is 2011-12.**

The government has formed a 26-member Advisory Committee on National Accounts Statistics (NAS) to update the GDP base year from existing 2011-12 to 2022-23.

Statement 2 is correct: The economy is **dynamic and undergoes significant structural shifts** over time due to technological advancements, changes in consumption patterns, and the emergence of new sectors. To ensure that **GDP accurately reflects the current economic landscape, the base year needs** to be updated. This periodic revision allows for the **inclusion of new products and services, the**

adjustment of weights assigned to different sectors, and the adoption of improved data collection and estimation methodologies.

Statement 3 is incorrect:The National Statistical Office (NSO), under the Ministry of Statistics and Programme Implementation (MoSPI), is the nodal agency responsible for the compilation and dissemination of **national accounts statistics, including GDP.** Recently, the Government has formed a 26-member Advisory Committee on National Accounts Statistics (NAS) to update the GDP base year from existing 2011-12 to 2022-23.

So, **it is not the Office of Economic Advisor, Ministry of Commerce and Industry who announces the base year for India's national accounts.**

95. Solution: (c)

Exp) option c is the correct answer.

Gross Domestic Product (GDP) is a quantitative measure that reflects the monetary value of goods produced but does not account for their quality. It excludes intermediate goods to prevent double counting. For example, if a car is considered a final product, the tires used in its production are not separately counted in GDP.

Net Domestic Product (NDP) is the net value of GDP, obtained by subtracting depreciation (wear and tear of assets) from GDP. NDP=GDP–Depreciation

Depreciation refers to the gradual reduction in the value of capital assets due to wear and tear, obsolescence, or passage of time. It accounts for the loss in productivity of assets used in the production process. For example, if a factory building has a 20-year lifespan, 5% of its value is deducted annually to reflect its declining worth. **Depreciation=Total Asset Value / Useful Life of Asset**

Statement I is correct. Since NDP is the net form of GDP, it is always less than GDP

Statement II is correct. Depreciation (consumption of fixed capital) is subtracted from GDP to calculate NDP. This reduction accounts for the loss in value of machinery, buildings, and other capital goods over time.

Statement III is incorrect. Net Factor Income from Abroad (NFIA) is not subtracted from GDP to calculate NDP. Instead, NFIA is used to calculate Gross National Product (GNP) where it is added to Gross Domestic Product (GDP). **GNP = GDP + NFIA**

Statement II explains Statement I. Since NDP is derived by subtracting depreciation from GDP, depreciation is the reason why NDP is always less than GDP

96. Solution: (b)

Exp) Option b is the correct answer.

'Middle Income Trap' refers to the rapidly growing economies stagnating at middle-income levels and struggling to attain high income status. The middle-income economies undergo systemic slowdowns which makes them stuck in that income basket. Specifically, the trap occurs when a country reaches about 11% of the GDP per capita of the US. With a per capita income growth from $1,022 to $2,700 in 18 years, India risks staying in the lower middle-income category without reaching the $4,516 needed for upper middle-income status. The 'Middle Income Trap' happens as a result of diminishing returns from investments, which leads to inability to grow any further.

97. Solution: (c)

Exp) Option c is the correct answer.

Various kinds of graphical representations show relationships between different economic indicators.

Option a is incorrect. J Curve is an economic theory which states that, under certain assumptions, a country's trade deficit will initially worsen after the depreciation of its currency—mainly because higher prices on imports will be greater than the reduced volume of imports.

Option b is incorrect. Lorenz Curve developed by Max Lorenz in 1905 **is a graphical representation of income inequality.** From the origin of the graph, a straight line is drawn which is known as the Line of equal distribution. This line acts as a benchmark to measure how much inequality exists in a country. If actual distribution of income in a country coincides with the line of equal distribution, then it means the country faces no inequality of income.

Option c is correct. When a country's economy grows and incomes rise, life expectancy also tends to increase significantly. This improvement is initially due to better access to basic necessities like food and healthcare. The **Preston Curve highlights that an increase in the per capital income of a country does not cause much of a rise in the average life expectancy of its population, after a certain point.** This is because there is a natural limit to human lifespan.

Option d is incorrect. Laffer Curve depicts the relationship between tax rates and revenue. It was created by Arthur Laffer in 1974. It represents the total tax revenue collected by the government as varying depending on the tax rate.

98. Solution: (b)

Exp) Option b is the correct answer.

Factor Cost is the actual cost of producing goods and services, including wages, rent, and profits, but **excluding indirect taxes and subsidies.**It is the **actual production cost** at which the goods and services are **produced by the firm.** Factor cost removes the impact of any subsidy or indirect taxes.

Market Price is the price at which goods are sold in the market, which **includes indirect taxes (like GST, excise duty, etc.)** and subtracts **subsidies (like government discounts on essential goods).**It is the **actual price paid by the customers** while buying from the market.

It includes the **factor cost (total cost of production) plus the taxes levied** over it.

If any **subsidy is given on that product, it is subtracted** as subsidies decrease the final price of the product

Formula: **Market Price = Factor Cost + Indirect Taxes – Subsidies**

Indirect taxes increase → Market prices rise because **producers pass the extra tax burden to consumers.**

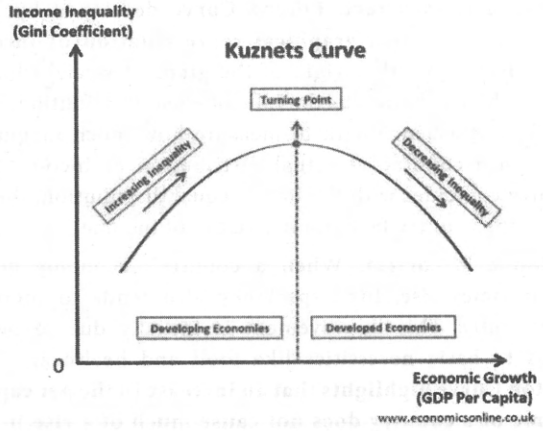
Subsidies decrease → The reduction in subsidies makes **goods more expensive for consumers.**

Together, these changes **increase the difference (gap)** between market price and factor cost.

99. Solution: (c)

Exp) Option c is the correct answer.

The **Kuznets Curve** is an economic hypothesis proposed by **Simon Kuznets** in the 1950s that describes the relationship between **economic growth and income inequality**. The theory suggests that income inequality follows an **inverted U-shape** as an economy develops.



1. **Initial Increase in Inequality**:

- In the early stages of economic development, income inequality tends to **rise** because industrialization and economic growth benefit a small segment of the population—typically business owners and capitalists.
- The shift from an agrarian economy to an industrial one leads to **urbanization and structural changes**, causing a widening gap between the rich and the poor.

2. **Turning Point (Middle-Income Stage)**:

- As the economy progresses, there is a **transition phase** where policies, investments in education, and labor market improvements start redistributing wealth more equitably.
- This is when income inequality begins to peak and eventually **declines**.

3. **Decline in Inequality at Higher Income Levels**:

- In the later stages of economic development, factors such as **progressive taxation, social welfare programs, improved access to education and healthcare, and strong labor laws** help distribute income more evenly.

100. Solution: (c)

Exp) Option c is the correct answer.

Statement I is correct: The GDP deflator is generally considered a more **comprehensive measure of inflation than the Consumer Price Index (CPI).** The CPI focuses on a **fixed basket of consumer goods and services, representing what a typical household buys.** In contrast, the **GDP deflator includes all final goods and services produced in the economy**, allowing it to reflect **broader** price changes.

Formula: GDP Deflator=(Nominal GDP÷Real GDP)×100

Statement II is correct and explains Statement I: The GDP deflator **changes the basket of goods every year** to reflect what is currently being produced. The CPI uses a fixed basket. For the GDP deflator, the 'basket' in each year is the set of all goods that were produced domestically, **weighted by the market value of the total consumption of each good.**

Thus, the GDP deflator is generally considered a more comprehensive measure of inflation than the Consumer Price Index (CPI).

Statement III is incorrect: The GDP Deflator is a measure of the overall price level of all final goods and services produced domestically in a given year. It reflects price changes across the entire economy, including consumption, investment, government spending, and net exports.

GDP Deflator does not include imported goods while CPI includes imported goods, reflecting consumer consumption.

101. Solution: (c)

Exp) Option c is the correct answer.

The chain-based mechanism of GDP calculation aims to provide a **more accurate measure of real GDP growth** by **addressing the limitations of fixed-base-year methods**. Instead of using prices from a **single, potentially outdated, base year,** it uses **prices from previous years to calculate growth rates. In a chain-linked GDP series, we calculate the value of goods and services produced this year using the prices these things cost last year.** This approach allows for the weights used in the calculation to be updated frequently, typically annually, reflecting changes in relative prices and consumption patterns. This significantly **reduces the distortion caused by substitution bias and provides a more realistic picture of economic** growth over time.

Advanced countries such as the **United States, Australia, Canada and most of the European Union countries use the chain-based method.**In 2019, the Indian government was reported to be considering a move to a chain-based mechanism of GDP calculation.

102. Solution: (c)

Exp) Option c is the correct answer.

Potential GDP refers to the **maximum level of output an economy can achieve when all its resources—such as labor, capital, and technology—are fully and efficiently utilized, without causing excessive inflation.** It represents the economy's **long-term productive capacity and is determined by structural factors like workforce size, capital investment, and technological advancements. Potential GDP** serves as a benchmark to measure the **output gap—the difference between actual GDP and potential**

GDP. If actual GDP exceeds potential GDP, inflationary pressures arise; if it falls short, it indicates underutilization of resources. Policymakers use this concept to design monetary and fiscal policies aimed at maintaining stable and sustainable economic growth.

103. Solution: (c)

Exp) Option c is the correct answer.

Gross Domestic Product (**GDP**) is the **total monetary value of all final goods and services produced within a country's borders during a specific period**. It is widely used to measure economic growth and compare economies globally.

Statement 1 is correct: GDP **does not differentiate** between **developmental (e.g., infrastructure, education) and non-developmental (e.g., defense, subsidies) expenditure**. Both are included in GDP, even though their long-term economic benefits differ.

Statement 2 is incorrect: GDP **includes** profits earned **by foreign companies operating domestically**, but these profits may be **repatriated to their home countries**, reducing actual benefits to the national economy. However, GDP itself **does not exclude them**; instead, **Gross National Income (GNI)** adjusts for this factor.

Statement 3 is correct: GDP does **not** account for **income inequality**—a rise in GDP does not indicate whether wealth is equitably distributed. It also **ignores environmental costs**, meaning destructive activities like deforestation or pollution can increase GDP despite their long-term harm.

Statement 4 is correct: GDP **does not consider unpaid domestic work**, such as household chores, caregiving, or volunteer activities. Since these tasks do not involve monetary transactions, they are **excluded** from GDP calculations despite their economic value.

104. Solution: (a)

Exp) Option a is the correct answer.

The **Misery Index** is an economic indicator designed to measure the level of **economic distress** felt by the general public due to **inflation and unemployment**. It was originally created by **Arthur Okun**, an American economist. The index suggests that **higher values** indicate **greater economic hardship** for citizens.

Misery Index = Inflation Rate + Unemployment Rate

Variations of the Misery Index:

- **Bloomberg Misery Index**: A **modified version** developed by **Bloomberg** that includes:
- **Unemployment rate**
- **Inflation rate**
- **Bank's lending rate** (recently added)

105. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Purchasing Power Parity (PPP) is an economic theory that suggests that the exchange rates between two currencies should be equal to the ratio of the two countries' price levels of a similar basket of goods. It **assumes the price of similar goods in different countries is the same**. Purchasing Power Parity (PPP) is based on the "law of one price," which suggests that in the absence of transportation costs and trade barriers, the price of identical goods in two different countries should be equal **when expressed in a common currency**

Statement 2 is correct: India is considered the **third largest economy in the world** when measured by Purchasing Power Parity (PPP), placing it behind only China and the United States

106. Solution: (a)

Exp) Option a is the correct answer.

Net Domestic Product (NDP) is the **GDP** calculated **after adjusting** the weight of the value of '**depreciation**'. This is, basically, the net form of the GDP, i.e., GDP minus the total value of the 'wear and tear' (depreciation) that happened in the assets while the goods and services were being produced.

Statement I is correct. NDP is not commonly used for comparing economies internationally. The reason is that NDP accounts for depreciation, which varies significantly across countries due to differences in how depreciation rates are calculated. These variations make it difficult to compare NDP between nations accurately.

Statement II is correct. Depreciation rates are determined by individual governments or statistical agencies based on national policies, practices, and accounting standards. As these rates vary across countries and even within sectors of the same economy, it makes NDP less suitable for international comparisons.

Statement II is the correct explanation for statement I. Each country is free to fix any rate of depreciation for different assets. This is the reason for **variation of depreciation rates** across economies. This variability in depreciation explains why **NDP is not widely used in comparative economics.**

107. Solution: (b)

Exp) Option b is the correct answer.

Gross Domestic Product (GDP) includes only the value of goods and services produced within a country's borders during a specific time period, measured at market prices. There are several things that GDP does not include such as activity between businesses, sales of goods or services produced outside the country, illegal goods or services, intermediate goods and transfer payments, etc.

Option 1 is incorrect: Income earned by an Indian working in the USA is part of the Gross National Product (GNP), not GDP, because the income is earned outside India's borders.

Option 2 is incorrect: Money earned by an Indian resident by selling a second-hand car is not included in GDP, as GDP accounts for new goods and services. Resale transactions are not part of current production.

Option 3 is correct: Fees earned by a lawyer practicing in India is included in GDP because it represents a service produced within India during the given period.

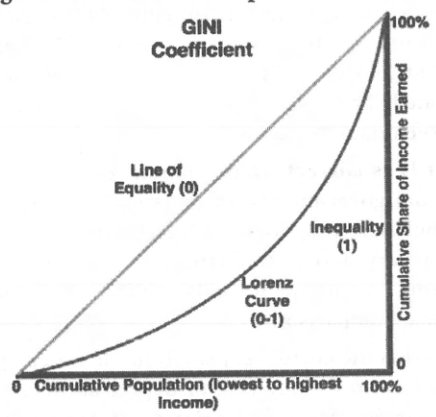
Option 4 is correct: Profit earned by a company through manufacturing and selling of new smartphones in India is included in GDP as it represents new goods produced domestically.

108. Solution: (d)

Exp) Option d is the correct answer.

Option d is correct. The Gini Index, also known as the Gini coefficient, is a statistical measure used to gauge the level of income inequality within a country. It ranges from 0 to 1, where 0 signifies perfect equality (everyone has the same income) and 1 indicates perfect inequality (one person has all the income, and others have none).

Developed by the Italian statistician Corrado Gini in 1912, this index is derived from the Lorenz Curve, which plots the proportion of total income earned by cumulative percentages of the population. The Gini Index quantifies the area between the line of equality and the Lorenz Curve as a ratio of the total area under the line of equality. **Understanding the Gini Index is essential for addressing socio-economic issues in governance and development.**



109. Solution: (c)

Exp) Option c is the correct answer.

Per capita income is the total income of a country divided by its total population.

Statement I is correct. The World Bank categorizes countries based on their per capita Gross National Income (GNI). Economies are currently divided into four income groupings: **low, lower-middle, upper-middle, and high**. Income is measured using gross national income (GNI) per capita, in U.S. dollars.

In this classification, **the World Bank classifies India as a "lower-middle income" country.**

Statement II is incorrect. According to the World bank, for the current 2025 fiscal year:

low-income economies are defined as those with a GNI per capita of $1,145 or less;

lower middle-income economies are those with a GNI per capita between $1,146 and $4,515;

upper middle-income economies are those with a GNI per capita between $4,516 and $14,005;

high-income economies are those with more than a GNI per capita of $14,005.

India's per capita GDP stood at $ 2,390 in 2022. The per capita income of India in 2023-24 was Rs 2.12 lakh. **In dollar terms, it is around USD 2,500. Thus, India falls within the range of 'lower-middle income' countries.**

110. Solution: (d)

Exp) Option d is the correct answer.

During the colonial period in India, several economists and intellectuals made efforts to measure national income and per capita income.

Option 1 is correct. Dadabhai Naoroji made a systematic attempt to estimate India's national income in his book **"Poverty and Un-British Rule in India" (1901).** His estimates highlighted the economic exploitation of India under British rule.

Option 2 is correct. William Digby, a British writer and publicist, estimated **national income in** his book **"Prosperous British India" (1901).**

Option 3 is correct. Findlay Shirras, a British economist, provided detailed **national income** estimates in his work **"Indian Finance and Banking" (1919).**

Option 4 is correct. V.K.R.V. Rao, a prominent Indian economist, estimated **national income in** his paper **"An Essay on India's National Income 1925-29" (1939).**

111. Solution: (a)

Exp) Option a is the correct answer.

GDP represents the **total value of goods and services produced within a country's borders.**

GNP, on the other hand, accounts for the **income earned by the country's residents and businesses, whether within the country or abroad.**

Statement 1 is correct. To obtain GNP from GDP **net factor income from abroad (NFIA) is added** to the GDP.

GNP=GDP + Net Factor Income from Abroad (NFIA)

NFIA includes the net difference between income earned by residents from abroad and income earned by foreigners within the country.

Statement 2 is incorrect. Depreciation (or consumption of fixed capital) is **not considered in the calculation of GNP from GDP.** Depreciation is subtracted to move from Gross to Net measures, such as Net National Product (NNP) or Net Domestic Product (NDP).

Statement 3 is incorrect. Inflation adjustments are made when converting **nominal values (current prices) into real values (constant prices).** Both GDP and GNP can be calculated in real terms after adjusting for inflation, but inflation is **not a factor in moving from GDP to GNP.**

112. Solution: (c)

Exp) Option c is the correct answer.

Statement I is correct. National income at factor cost is calculated as the total income earned by factors of production

(labor, capital, land, and entrepreneurship) in an economy. **Indirect taxes** (like GST, excise duty, etc.) are included in market prices, **not in factor cost. When indirect taxes increase,** the market price of goods and services rises, but the **national income at factor cost remains unaffected** unless there is a corresponding increase in production or income generated by factors of production. Therefore, an increase in indirect taxes by the Government does not increase the national income measured at factor cost.

Statement II is incorrect. Historically, India measured its national income at factor cost, which excludes indirect taxes and includes subsidies. However, **since 2015**, India has adopted international standards and measures **national income at market prices**, which accounts for indirect taxes and excludes subsidies. The move to market prices aligns India's national accounts with global practices under the United Nations System of National Accounts (SNA

113. Solution: (d)

Exp) Option d is the correct answer.

Personal Disposable Income (PDI) is calculated as:

PDI - Personal Income (PI) – Personal tax payments – Non-tax payments.

It represents the portion of aggregate income that households retain after meeting their obligations like taxes and other mandatory payments. This income is available for households to allocate toward consumption, savings, or investments, making it a crucial determinant of economic behaviour and demand in an economy.

Option 1 is incorrect: Personal disposable income refers to the income remaining after deducting taxes and other mandatory charges from gross income. Since it is post-tax income, it does not directly impact the collection of direct taxes.

Option 2 is correct: With **higher disposable income**, individuals have more money to spend on goods and services. This typically leads to **increased consumption expenditure**, as people allocate more resources toward both essential and discretionary items.

For example, households may spend more on food, clothing, travel, or luxury goods when they experience a rise in disposable income.

Option 3 is incorrect: The **fiscal deficit** is the difference between the government's expenditure and its revenue. While higher consumption may lead to increased indirect tax revenue, it **may reduce the fiscal deficit**. But it will not lead to an increase in fiscal deficit as personal disposable income has no direct bearing on it.

Option 4 is correct: An **increase in disposable income often enables households to save more**. Typically, individuals allocate a portion of their additional income to savings, which may be directed toward bank deposits, investment in financial instruments, or other forms like gold or real estate.

114. Solution: (b)

Exp) Option b is the correct answer.

Nominal GDP refers to the total market value of all goods and services produced within a country, measured at **current prices** without adjusting for inflation.

In contrast, **real GDP** is calculated by adjusting nominal GDP for inflation, using constant prices from a base year. This adjustment provides a more accurate measure of a country's economic growth, as it reflects the true increase in the volume of goods and services produced, without the effects of price changes.

Option 1 is correct: An **increase in the production of goods and services** leads to a higher output of the economy, which **directly increases the nominal GDP**. If the volume of goods and services increases, the total market value (nominal GDP) also rises, assuming prices remain constant. This factor directly contributes to an increase in nominal GDP.

Option 2 is correct: When the general price level in the economy rises (inflation), the value of the same goods and services increases in monetary terms. Even if the quantity of goods and services remains unchanged, the **nominal GDP will still increase** because it is calculated using current prices. So, **inflation directly boosts nominal GDP**, as it results in higher prices for the goods and services that are being produced.

Option 3 is incorrect: Technological improvements can lead to greater efficiency and higher production over time, but it **does not directly guarantee an increase in nominal GDP**. It may raise real GDP eventually, but it may not directly affect nominal GDP unless it leads to increased output or prices.

Option 4 is incorrect: A **reduction in tax rates does not definitely contribute** to an **increase** in **nominal GDP**. While lower taxes can potentially boost consumer spending and investment, the immediate impact on nominal GDP is not guaranteed. The effect depends on how the reduction influences production, prices, and overall economic activity.

115. Solution: (a)

Exp) Option a is the correct answer.

National income represents the total value of factor incomes earned by the normal residents of a country both within its domestic territory and from abroad during a specific period.

Domestic income, on the other hand, is the total value of all final goods and services produced within the domestic boundaries of a country, regardless of whether it is earned by residents or non-residents.

The relationship between the two is expressed as:

National Income = Domestic Income + Factor Income Received from the Rest of the World (ROW) – Factor Payments Made to ROW.

In a **closed economy**, there are no economic transactions with the external world—such as trade, foreign investments, or income transfers movement of workers . Consequently, factor incomes received from or paid to the rest of the world are absent, resulting in the equation simplifying to **National Income = Domestic Income**

116. Solution: (d)

Exp) Option d is the correct answer.

Gross Domestic Product is the sum total of value of final goods and services created within the geographical boundary of a country in a particular year.

Statement 1 is correct. Gross Domestic Product **does not account for externalities**. Externalities refer to the benefits (or harms) a firm or an individual causes to another for which they are not paid (or penalised). Externalities do not have any market in which they can be bought and sold.

Negative externalities occur when the production and/or consumption of a good or service exerts a negative effect on a third party independent of the transaction.

For example: pollution caused by industries.

Statement 2 is correct. GDP as an indicator **does not account for income inequality within a country** i.e. how income is distributed within the population. If the GDP of the country is rising, welfare may not rise as a consequence. This is because the rise in GDP may be concentrated in the hands of very few individuals or firms. For the rest, the income may in fact have fallen. In such a case the welfare of the entire country cannot be said to have increased.

Statement 3 is correct. An important shortcoming of GDP as a measure of economic well-being is **GDP's exclusion of non-marketed activities.** GDP uses market prices to value goods and services, it thus excludes the value of almost all activity that takes place outside markets. For example: Child care provided in day-care centers is part of GDP, whereas child care by parents at home is not.

The exchanges which take place in the informal sector without the help of money are called barter exchanges. But since money is not being used here, these exchanges are not registered as part of GDP.

This leads to underestimation of GDP.

117. Solution: (a)

Exp) Option a is the correct answer.

The GDP deflator is an economic metric that reflects the change in the price level of goods and services produced in an economy during a specific period, relative to a base year. It is calculated as:

$$GDP\ Deflator = \frac{Nominal\ GDP}{Real\ GDP}$$

A GDP deflator value greater than 1 indicates that **the nominal GDP is higher than the real GDP, implying that the prices of goods and services in the current year have increased compared to the base year.** This rise in the GDP deflator signifies inflation within the economy, highlighting that the overall price levels of goods and services have gone up relative to the base year. Conversely, a GDP deflator value below 1 would indicate deflation, where prices have decreased compared to the base year.

118. Solution: (d)

Exp) Option d is the correct answer.

The GDP gap is an economic measure that represents the **difference** between a country's **actual GDP** (the current level of output) and its **potential GDP** (the maximum level of output the economy can produce when all resources are fully employed). **A positive GDP gap** indicates that the economy is operating **above its potential level,** often causing inflationary pressures. Whereas a **negative GDP gap** (also called an output gap) indicates **underutilization of resources,** suggesting unemployment or economic stagnation.

119. Solution: (d)

Exp) Option d is the correct answer.

The expenditure method is a system for calculating gross domestic product (GDP) that combines consumption, investment, government spending, and net exports. It is the most common way to estimate GDP. It says everything that the private sector, including consumers and private firms, and government spending within the borders of a particular country, must add up to the total value of all finished goods and services produced over a certain period. This method produces nominal GDP, which must then be adjusted for inflation to result in the real GDP.

Pair 1 is correct: Purchasing new car, mobiles, computer etc. both India made & (Imported) foreign made are counted in expenditure method calculation of national income. We can ignore the purchase of second-hand goods, because we are only measuring 'new' things "Made in India" in present year.

Pair 2 is correct: Purchase of tangible capital assets like new House, **Land, Building,** Factory, Truck, Machinery and purchase of intangible capital assets like IPR / Patents, Computer Software etc. are part of investment under investor spending on business capital good. Further purchase of raw material & intermediate goods, wages to workers for production all are counted **under investor spending on business capital** goods.

Pair 3 is correct: The government spending component of national income calculation represents expenditures by state, local and central government authorities on defense and nondefense goods and services, such as weaponry, health care, and education.

120. Solution: (a)

Exp) Option a is the correct answer.

In 2015, in the wake of a comprehensive review of its approach to GDP measurement, India opted to make major changes to its compilation of national accounts and bring the whole process into conformity with the United Nations System of National Accounts (SNA) of 2008.

Statement 1 is correct. Gross value added (GVA), is defined as the value of output minus the value of intermediate consumption and is a **measure of the contribution to GDP made by an individual producer, industry or sector.** The **GVA data is crucial to understand how the various sectors of the real economy are performing.**

Statement 2 is incorrect. GVA gives a picture of the state of economic activity **from the producers' side or supply side,** whereas the GDP gives the picture from the consumers' side or demand perspective. GVA is considered a better gauge of the economy. GDP fails to gauge the real economic scenario because a sharp increase in the output can be due to higher tax collections which could be on account of better compliance or coverage, rather than the real output situation.

121. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Net national product (NNP) is the total value of finished goods and services produced by a country's citizens overseas and domestically, minus depreciation the depreciation of capital goods.

Statement 2 is correct: NNP includes income earned by citizens abroad and excludes income earned by foreigners domestically.

Gross Domestic Product (GDP) + **NFIA** = Gross National Product (GNP)

Gross National Product (GNP) - **Depreciation** = Net National Product (NNP).

Statement 3 is incorrect: As such no special mechanism is followed for considering the income generated from the informal sector in case of NNP. NNP basically relies on the GDP data. GDP ignores the value of informal or unrecorded economic activity. It relies on recorded transactions and official data, so it does not take into account the extent of informal economic activity.

122. Solution: (d)

Exp) Option d is the correct answer.

Factor cost is the cost of factors of production or the total value of inputs, whereas the market price is the final value of the product being sold, which includes indirect taxes and subsidies.

Statement 1 is incorrect: 'GDP at Market price is always greater than GDP at Factor cost' **is not true always. Theoretically, GDP at market price can be more, equal or lesser than GDP at Factor cost.** Actually, to find out Market Prices (MP), indirect taxes are added, and subsidies are subtracted from Factor Cost (FC). In short, **MP includes net indirect tax whereas FC does not**. Thus, FC becomes MP when net indirect taxes are added to FC. **In the absence of indirect taxes and subsidies, MP and FC are the same.**

Market Cost= Factor Cost + Indirect Taxes – Subsidies

Statement 2 is incorrect: At present, GDP in India is calculated at market prices (not factor cost) while GVA is calculated at **basic prices (not market price).** In its revision in January 2015, the Central Statistics Office (CSO) replaced GDP at factor cost with the **GVA at basic prices, and the GDP at market prices** (which is now called only GDP).

GVA at basic prices = GVA at factor cost + (Production taxes less Production subsidies)

GDP at market prices = GVA at basic prices + Product taxes- Product subsidies

Important Tips

Production tax and subsidies: Production taxes or production subsidies are paid or received with relation to production and are independent of the volume of actual production. Some examples of production taxes are land revenues, stamps and registration fees and tax on profession. Some production subsidies include subsidies to Railways, input subsidies to farmers, subsidies to village and small industries, administrative subsidies to corporations or cooperatives, etc.

Product taxes or subsidies: Product taxes or subsidies are paid or received on per unit of product. Some examples of product taxes are excise tax, sales tax, service tax and import and export duties. Product subsidies include food, petroleum and fertilizer subsidies, interest subsidies given to farmers, households, etc. through banks.

123. Solution: (c)

Exp) Option c is the correct answer.

Option a is incorrect and Option c is correct: Gross Investment is the total addition made to the *capital stock* of economy in a given period. Capital stock consists of ***fixed assets*** and ***unsold stock***. **So, investment in fixed assets is a component of Gross Investment.** So, gross investment is the expenditure on purchase of fixed assets and unsold stock during the accounting year. However, gross investment does not indicate the actual change in economy's stock of productive assets for a given year. During the production process, some amount of fixed capital is used up. This loss of fixed capital is known as depreciation. By subtracting depreciation from gross investment, we get Net Investment.

Net Investment = Gross Investment – Depreciation

124. Solution: (c)

Exp) Option c is the correct answer.

Option a is incorrect: RBI is not responsible for GDP calculation for a year. However, it used to predict GDP growth rate through its various reports and indices.

Option b is incorrect: Department of Economic Affairs works under Ministry of Finance. It is responsible for preparation of **Union Budget.**

Option c is correct: The National Statistical Office under the Ministry of Statistics and Program Implementation is responsible for macroeconomic data gathering and statistical record keeping. It releases India's GDP data.

Option d is incorrect: The Chief Economic Adviser to the Government of India (CEA) advises the government on economic matters and is responsible for **the preparation of the Economic survey of India** tabled in Parliament before the Union budget of India is presented.

125. Solution: (b)

Exp) Option b is the correct answer.

The Genuine Progress Indicator (GPI) is a metric that has been suggested to replace, or supplement, gross domestic product as a measure of economic welfare.

Statement 1 is correct: A Genuine Progress Indicator (GPI) is a metric used to measure the economic growth of a country. Whereas the ***World Happiness Report*** presents the people's qualitative assessment of their lives through quantitative indicators.

GPI is often considered an alternative metric to the more well-known gross domestic product (GDP) economic indicator. **The GPI indicator takes everything the GDP uses into account but adds other figures that represent the cost of the negative effects related to economic activity, such as the cost of crime, cost of ozone depletion, and cost of resource depletion, among others.**

Statement 2 is incorrect: The GPI per capita can be greater than the GDP per capita. The GPI measures economic welfare, environmental sustainability, and social equity, while the GDP only measures the economic output of a country. Therefore, **the GPI could be greater than the GDP if a country is making progress in areas such as environmental protection and social equity while its economic output is not necessarily increasing. However, usually (not always) GPI is lesser than GDP due to negative externalities. Hence statement 2 is incorrect.**

126. Solution: (c)

Exp) Option c is the correct answer.

National Income Accounting refers to a set of rules and techniques that are used to **measure the output of a country.** Various macroeconomic identities like GDP, GVA, NNP are used for calculation of national income.

Statement 1 is incorrect: The base year plays an essential role in National Accounting Standards, as it provides a way to compare the current and past economic conditions. It is therefore crucial to ensure regular updating of the base year to gain a better understanding of the changes occurring in the economic system. **However, there is no such provision to revise the Base Year in every 10 years.**

Statement 2 is correct: The base year for the most recent National Accounts series was altered from 2004-05 to **2011-12.** The base year prices are also known as **constant prices** since they reduce all the data to a similar baseline, the base year price.

Statement 3 is correct: The change in the base year captures the actual change in structures of the economy. **The Ministry of Statistics and Programme Implementation (MOSPI) decides on a new base year for the GDP series.** The ministry is striving to bring in a new set of national accounts which would result in a revising of the existing base year of 2011-12. Though the MOSPI is considering 2020-21 as the new base year. However, no decision has been taken, and the expert committees are awaiting some more data before finalizing their opinion.

Statement 4 is correct: According to the United Nations System of National Accounts (UNSNA), the member countries are required to revise the **base year of their macro-economic indicators** like Gross Domestic Product (GDP), Gross Value Added (GVA), etc. periodically, **to better capture the structural changes in the economy.**

127. Solution: (b)

Exp) Option b is the correct answer.

Gross Domestic Product (GDP) is the market value of all the final goods and services produced within the domestic territory of a country during a specified period.

Statement 1 is correct: An intermediate good is a product used to produce a final good or finished product. It is not accounted while calculating GDP to prevent the calculation of same good twice. Hence, **milk used for producing sweets is an intermediate good and cannot be used.**

Statement 2 is incorrect: Purchase of license of a computer software is considered as an investment hence is considered for national income accounting by expenditure method.

Statement 3 is correct: Sell of illegal goods or sells in the black market like darknet are often left out from the calculation of GDP. These items are not included in the calculation of GDP because they involve issues related to ethics and quantification etc.

Statement 4 is correct: Sell/ purchase of second-hand goods is also not included, because income accounting is done for the new products and services of the current period.

Statement 5 is incorrect: Purchase of a new house is also considered as an investment under expenditure method for the calculation of national income.

128. Solution: (a)

Exp) Option a is the correct answer.

One of the methods of calculating National Income is Income method among others. It is based on the idea that the sum of final expenditures in the economy must be equal to the incomes received by all the factors of production taken together. It implies that the revenues earned by all the firms put together must be distributed among the factors of production as salaries, wages, profits, interest earnings and rents.

According to this,

GDP = W + P + In + R

(Where, W is total wages, P is total profit, In is total income and R is total rent received by all the factors).

Statement 1 is correct: Goods meant for self-consumption are included by the income method in the National income accounting as these goods contribute to the current output and their imputed value will be included in the national income.

Statement 2 is incorrect: Wages and payment in kind are included by the income method in the national income accounting. It is done as the payment in kind is given in the place of equivalent payment in the form of cash/money.

Statement 3 is incorrect: Income method includes income from a rented house as well as the imputed rent from owner-occupied houses. It is done so, because people living in such houses enjoy similar housing facilities as those by the rented houses. It is as if the owner of the house is selling to himself housing service as a tenant.

129. Solution: (a)

Exp) Option a is the correct answer.

The traditional GDP based growth accounting fails to capture the impact of climate change and deteriorating environment on the economy. Hence, the concept of Green GDP began to develop in the late 1980s.

Statement 1 is correct: Green GDP is an environment-based growth accounting which adjusts nation's Gross Domestic Product (GDP) for environmental deterioration and depleting natural resources. There are various methodologies used in the estimation of Green GDP. One of the used methodologies for its calculation is,

Green GDP = GDP – (Carbon dioxide damage + particulate emission damage) – (Opportunity cost of energy depletion + mineral depletion + net forest depletion) + Expenditure on environmental protection

Statement 2 is incorrect: Green GDP in India is not estimated by the National Statistics Office (NSO). However, the Green Indian States Trust (GIST), a not-for-profit trust started a project in 2003 - Green Accounting for Indian States & Union Territories Project (GAISP) to build a framework for environmentally adjusted national income accounts. It has recently presented an article in RBI bulletin about the India's Green GDP growth trajectory. The trajectory of Green GDP for India displays an upward movement with overall Green GDP (as a per cent of GDP) lying above the range of 90% in the past decade.

Where, GR1, GR2, GR3 are as follows:

1. GR1 = GDP - (Carbon dioxide damage) - (Opportunity cost of energy depletion + mineral depletion + net forest depletion); Data availability: 1971-2019.
2. GR2 = GR1 - particulate emission damage; Data availability: 1990-2019.
3. GR3 = GR2 + Expenditure on environmental protection; Data availability: 2006-2019.

130. Solution: (b)

Exp) Option b is the correct answer.

Option b is correct: Wealth Effect-It is a behavioral economic theory in which people spend more as they **feel more financially secure** and confident about their wealth when **their homes or investment portfolios increase in value.** They are made to feel richer, even if their income and fixed costs are the same as before. So due to **perception of increased disposable income**, individuals or households see an increase in wealth and spend more

131. Solution: (a)

Exp) Option a is the correct answer.

Disposable income, also known as disposable personal income (DPI), is the amount of money that an individual or household has to spend or **save after income taxes have been deducted**.

It is an important indicator that is used by economists in determining the demand in an economy. Also, it is used to estimate the overall state of the country's economy.

Disposable income = Personal income – Personal income taxes

1.3. Planning in India

132. Solution: (a)

Exp) Option a is the correct answer.

BoP crisis is a situation in which a sovereign entity has developed an unsustainable balance of payments deficit. That is, a balance of payments crisis occurs when so much money is flowing outside a country that it has difficulty borrowing to make up the difference. A balance of payments crisis becomes acute in circumstances like an exceptionally large budget deficit that lasts for an extended period of time or a default on interest payments on publicly-held debt.

Statement 1 is correct. Devaluation of currency leads to **increase in export** and hence **increase in inflow of foreign currency**. Initially, the rupee was **devalued by about 20%.** There was a need to bridge the gap between the real and nominal exchange rates, which was emerged due to high inflation. The overhauled exchange rate was corrected by this devaluation.

Statement 2 is correct. The **system of quota and licensing** was dismantled and the economy was **opened for private markets, foreign investment and trade**. The road to economic liberalisation was paved by the government to balance the deficit.

Statement 3 is correct. As an immediate action taken against the crisis included taking **loan from IMF** and borrowing money from **banks of US and Switzerland** against the Gold reserves.

Statement 4 is incorrect. Various **tax reforms** were introduced to make tax structure more stable and transparent. Some of them include the reduction of tax brackets to 3 with rates of 20%, 30% and 40. The **role of monetary reform** in balancing the deficit was also significant. The **reduction in statutory liquidity ratio (SLR) and the cash reserve ratio (CRR)** and guidelines for opening new private sector banks were part of some monetary policies.

133. Solution: (c)

Exp) Option c is the correct answer.

With the Industrial Policy 1991, government kick started the very process of reform in the economy, that is why the policy is taken more as a process than a policy. The major highlights of the policy are as follows:

Statement 1 is correct: Industrial Policy 1991 started the De-reservation of the Industries. The industries which were reserved for the Central Government by the IPR, 1956, were **cut down to only eight**. In coming years many other industries were also opened for private sector investment. At present there are only two industries which are fully or partially reserved for the Central Government -1. Atomic energy and nuclear research and other related activities 2.Railways

Statement 2 is incorrect:

The government went to encourage foreign investment (FI) in both its forms - **direct and indirect.**

The **direct form** of FI was called as the foreign direct investment (FDI) under which the MNCs

were allowed to set up their firms in India in the different sectors varying from 26 per cent to 100 per cent ownership. Whereas the **indirect form** of foreign investment was called the **portfolio investment scheme (PIS)** in the country, which formally commenced in 1994. Under the Portfolio Investment Scheme (PIS), the foreign institutional investors (FIIs) having good track record are allowed to invest in the Indian security/stock market. The FIIs need to register themselves as a stock broker with SEBI. However, **India has not allowed individual foreign investment** in the security market still. **Only institutional investment has been allowed till now.** Individual investors are individuals investing on their own behalf, and are also called retail investors. Whereas Institutional investors are large firms that invest money on behalf of others, and the group includes large organizations with professional analysts.

Statement 3 is correct: Now, the industries were classified into **'polluting' and 'non-polluting' categories** and a highly simple provision deciding their location was announced:

1) Non-polluting industries might be set up anywhere.
2) **Polluting industries to be set up at least 25 kms away from the million cities.**

Statement 4 is correct: The new industrial policy showed good faith towards foreign capital. Not only the draconian FERA was committed to be diluted, but the government went to encourage **foreign investment (FI) in both its forms—direct and indirect.** The direct form of FI was called as the foreign direct investment (FDI) under which the MNCs were allowed to set up their firms in India in the different sectors varying from 26 per cent to 100 percent.

134. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: The second five-year plan was to set India on the path of industrialization. P.C. Mahalanobis was the moving spirit behind the second five-year plan. For the Second Five Year Plan, the plan period was 1956–61. The strategy of growth laid emphasis on rapid industrialization with a focus on heavy industries and capital goods. The plan was developed by Professor Mahalanobis. Due to the assumption of a closed economy, shortages of food and capital were felt during this Plan.

Statement 2 is incorrect: The Mahalanobis model did not focus on price wage policy to check the negative impact of inflation on the wage-earners. This plan period also saw a lack of investment in agriculture and a period marked by food shortages and drought leading to inflation.

Statement 3 is incorrect: The Sixth Five Year Plan (1980–85) was launched with the slogan of 'Garibi Hatao' (alleviate poverty). The plan gave emphasis on socio-economic infrastructure in the rural areas; eliminating rural poverty and regional disparities (through the IRDP). The Integrated Rural Development Program (IRDP) was launched by the Government of India during 1978 and implemented during 1980.

135. Solution: (a)

Exp) Option a is the correct answer.

The Planning Commission was set up to prepare five-year plans which would indicate directions in which the Indian economy should move.

Statement a is incorrect: India **resorted to annual planning thrice** in the history of economic planning:

- The first set of annual plans were announced for the period **1966-1969.** This was due to the **failure of the third five-year plans as well as the weak financial situation.**
- The Janata Government ended the fifth five-year plan one year earlier to its term i.e., only within a four years span (1974-78) and introduced a new plan since April 1, 1978. This plan was named the Rolling plan. **The rolling plan period was 1978-1980.** In the first phase of this rolling plan, the sixth plan was initially started for 5 years (1978-83). However, in 1980, the sixth plan (rolling plan) prepared by the Janata Government was abandoned by the congress Government and a new sixth plan was introduced for the period 1980-85.
- **Later, annual plans were introduced between 1990 and 1992 due** political instability and balance of payment crisis.

Statement b is correct: Due to the failure of the previous plan, the government announced three annual plans called Plan Holidays from 1966 to 1969. The main reason behind the plan holidays was the Indo-Pakistani war and the Sino-India war, leading to the failure of the third Five Year Plan.

Statement c is correct: Almost **one-fourth (23%)** of the total resources during the annual plans of 1966-69 **went to industry and minerals;** 18% went to transport, communication and power sectors while **17% was allocated to agriculture and allied sectors.**

Statement d is correct: The annual plans for the period between 1990 and 1992 was due to **severe balance of crisis,** which was **intensified by the Gulf war in 1990.** The fiscal deficit was widened and the related rise in money growth was contributing to a **rise in inflation and exerting pressure on the balance of payments (BoP).** There was an **increase in external commercial borrowings** during 1988-90. India was thus faced with large internal and external financial imbalances and was vulnerable to adverse external shocks around 1990.

136. Solution: (a)

Exp) Option a is the correct answer.

Local level planning is decentralized planning and is aimed at mobilization and utilization of local resources. They lay greater stress on people's participation in planned development.

Statement 1 is incorrect: The local level planning **started soon after the independence and not by the Constitutional**

Amendment Act of 1992. The earliest attempts in local level planning were the Community Development Programme and its sequel the Panchayati Raj System. These were attempts of the 1950s to build structures for people's participation in planned development. These plans were being implemented at the local level via the blocks.

Statement 2 is correct: Article 243ZD provides that there shall be constituted in every State at the district level a District Planning Committee. This is to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan for the district as a whole.

Statement 3 is incorrect: The Community Development Programme was **started in 1952** to promote better living for the whole community with its active participation and initiative. The role of the government was to plan and organise the programmes on a national basis and to provide technical services and materials beyond the resources of the communities. Later, the **Balwant Rai Mehta team** was appointed in 1957 to study the Community Development Programme. **Ashok Mehta committee was constituted in 1977** to suggest measures to strengthen the declining Panchayati Raj institutions in the country.

137. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct: Indicative planning or planning by inducement is found in capitalist countries as well as in mixed economies, like India. The essence of indicative planning is that it **recognises not only consumers' sovereignty but also producers' freedom** so that the targets and priorities of the plans are achieved. It thus involves a middle path of planning mechanism and market mechanism—a kind of coordination between private and public activities.

Statement 2 is the correct: After the revival of the role and the need of market in promoting growth and development via the Washington Consensus (1985), the World Trade Organisation (1995) and the Santiago/New Consensus (1998) only indicative planning has remained possible in which the state plays only a marginal role in the economy, especially in the areas of social importance (i.e., nutrition, healthcare, drinking water, education, social security, etc.).

Statement 3 is incorrect: India's Eighth Plan mentioned that planning would have to **be reoriented so as to make it indicative.** Eighth Plan was unique in the sense that it attempted to manage the transition from a centrally planned economy to a market-oriented economy without tearing down the socio-cultural framework of the country.

138. Solution: (b)

Exp) Option b is the correct answer.

- India became member of International Monetary Fund (IMF) in 1945.
- First devaluation of Indian currency after independence took place in 1949.
- First Five-Year Plan was submitted to Parliament in 1950.
- National Development Council was set up in 1952.

139. Solution: (c)

Exp) Option c is the correct answer.

Statement a is correct: In most developed economies, with growth, there was a shift in the dominant sector according to volume of economic activity, from primary (agriculture) to secondary (manufacturing) to finally tertiary (services).
Statement b is correct: In both manufacturing and service sectors, growth was led by ventures that were capital intensive (automotive manufacturing, oil refining, telecom, software, ITES, etand not labour intensive (food processing, textiles, apparel, leather, etc). So while the value added and economic activity increased, very few people were employed in the process causing jobless growth.

Statement c is incorrect: Too much focus on higher education that too limited in number in relation to the population is one of the reasons for jobless growth. Quality Mass education could not be ensured. This resulted in a workforce that did not have the basic skills required to be employed in manufacturing sectors, thus contributing to poor employment scenarios.

Statement d is correct: The manufacturing sector is dominated by capital-intensive industries, and the remaining ones are mostly informal and unorganized with low productivity, low output, and low investment. The medium-type industries which employ masses and produce high output are missing in Indian economy, contributing to jobless growth.

140. Solution: (b)

Exp) Option b is the correct answer

Land reform is a **form of agrarian reform involving the changing of laws, regulations, or customs regarding land ownership**. Land reform may consist of a government-initiated or government-backed property redistribution, generally of agricultural land.

Statement 1 is correct: Land reform policy was spelled out in the First Five-Year Plan. The plan aimed to reduce disparities in income and wealth, eliminate exploitation, and provide security to tenants, as well as achieve social transformation through equality of status and an opportunity for different sections of the population to participate in development initiatives.

Statement 2 is correct: From the 1950s to the 1970s, a series of land reform laws were passed – at the national level as well as in the states. The **first important legislation was the abolition of the zamindari system,** which removed the layer of intermediaries who stood between the cultivators and the state. Of all the land reform laws that were passed, this was probably the most effective. In most areas it succeeded in taking away the superior rights of the zamindars over the land and weakening their economic and political power.

Statement 3 is incorrect: Because land is subject to state control in India and the relationship between production and land tenure varies from state to state, the **national policy**

recommendations resulted in differing tenancy reform laws in each state.

Tenancy is completely prohibited in some states but completely free in others. Punjab and Haryana have not prohibited tenancy whereas Karnataka has a near complete ban on tenancy. Some states have conferred ownership rights on tenant cultivators except for sharecroppers, whereas West Bengal chose to provide owner-like rights only to the sharecroppers. Some states, such as Maharashtra and Orissa, chose to provide different tenancy reform regimes for different areas within the state.

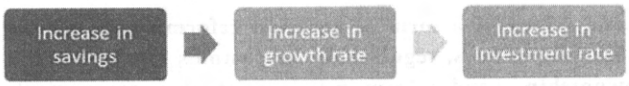
141. Solution: (b)

Exp) Option b is the correct answer.

The Planning Commission of India was established in 1950 for the formulation of the five-year plans. It was the apex planning body, with **Prime Minister of India as its Chairperson.**

Statement 1 is correct: After Independence, India adopted a system of economic planning with the objective of raising the standard of living of people and opening new opportunities for a richer and more varied life. The planning is also aimed to ensure **balance and efficient utilization of resources.** To achieve these objectives, the Planning Commission was established to formulate and implement the five-year plans. Hence, the given statement is correct.

Statement 2 is incorrect: The First Plan (1951-56) was based on the **Harrod-Domar model**. It was a model independently developed by Roy Harrod in 1939 and Evsey Domar. In simple words, the model provides that growth rate is determined by the savings rate divided by the capital/output ratio. So, for a given capital/ output ratio:



Statement 3 is correct: The Second Plan (1956-61) is also known as **Mahalanobis Plan**, which focused on rapid industrialization through promotion of heavy and basic industries. The idea was that industrialization can lead the Indian Economy to a long-term higher growth path. The plan also supported huge imports through foreign loans.

Statement 4 is incorrect: Following were the outcomes of the first two plans regarding the growth rates:

Growth Rates	First Five Year Plan (1951-56)	Second Five Year Plan (1956-61)
Target	2.1%	4.5%
Actual	3.6%	4.3%
Outcome	Growth rate exceeded the target	Growth rate fell short of the target.

142. Solution: (b)

Exp) Option b is the correct answer.

During the first seven five-year plans, India had adopted a policy of import substitution, which means substituting the imported goods with the domestically produced goods.

Statement-I is correct: Since, India had adopted the policy of import substitution, it resorted to higher tariffs on the imported goods. Apart from this, quotas were also prescribed, which specified the limits on the quantity of imported goods. The primary aim was to protect the domestic firms from foreign competition.

Statement-II is correct: One of the major criticisms of the import substitution policy is that it reduces competition, thereby reducing incentive among the local/ domestic manufacturers to be more efficient. Competition from imports promotes efficiency in the production system of the native country. **So, the statement is correct, but it is not a correct explanation for the assertion made in the statement-I.**

143. Solution: (d)

Exp) Option d is the correct answer.

Statement a is correct- Public Sector Enterprises (PSEs) are businesses that are **owned and operated by the government.** In India, PSEs have traditionally played a dominant role in certain sectors, such as **telecommunications.** For example, in the 1950s, the government established the **Indian Telephone Industries (ITI) as a monopoly provider of telephone services.** Similarly, the government established **Doordarshan in the 1960s as a monopoly provider of television broadcasting services.**

Statement b is correct- The Indian government historically (between 1951-1991) regulated businesses through a **licensing system,** which necessitated government **approval for business operations, expansion, and diversification.** Although this was intended to prevent monopolies and ensure alignment with government plans, it resulted in **delays, corruption, and inefficiency.** Businesses faced extended wait times for licenses, and the system discouraged innovation and entrepreneurship.

Statement c is correct- The Indian government historically (between 1951-1991) **supported small-scale industries (SSIs) with policies like tax breaks, subsidies, and preferential access to government contracts, and protected them from foreign competition**. While aimed at job creation and inclusive growth, these policies also resulted in inefficiency and high prices, as SSIs struggled to compete on quality and price with larger businesses. Furthermore, the protection from foreign competition discouraged innovation and technological advancement.

Statement d is incorrect- Between 1951 and 1991, **the industrial sector's contribution to GDP in India increased significantly, climbing from 11.8% in 1950-51 to 24.6% in 1990-91.** This growth was influenced by government policies **promoting industrial development, rising domestic demand, and increased foreign investment.** The expansion of the industrial sector had positive effects, including **job creation, poverty reduction, improved living standards, and reduced import dependency**. Yet, it also brought negative consequences, such as environmental pollution and degradation.

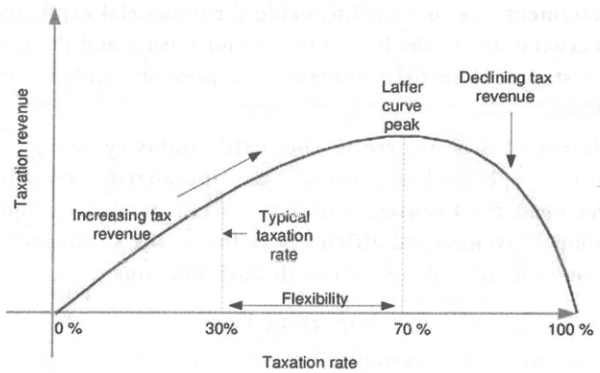
144. Solution: (a)

Exp) Option a is the correct answer.

The **1991 economic policy in India**, also known as the **New Economic Policy (NEP)**, encompassed a set of reforms introduced by the Indian government in response to a **severe economic crisis during the early 1990s**. The NEP aimed to **liberalize the Indian economy, welcome foreign investment and competition**, and **reduce the government's involvement in economic affairs**. This shift was triggered by issues like **high inflation, a substantial budget deficit, and a shortage of foreign exchange reserves**, which compelled the government to **seek assistance from the International Monetary Fund (IMF)** to **prevent a debt default.**

Statement a is incorrect- After the **1991 economic reforms**, industrial licensing was removed for **almost all product categories** except for a few like **alcohol, cigarettes, hazardous chemicals, electronics, aerospace, and drugs and pharmaceuticals**. Only **a part of atomic energy generation and some core activities in railway transport remain reserved for the public sector.** Many goods made by small-scale industries are no longer reserved. In most industries, prices are now determined by the market.

Statement b is correct- Starting in 1991, there has been a **consistent decrease in individual income taxes,** as **high rates were seen as a major factor in tax evasion**. It is now widely recognized that reasonable income tax rates promote savings and the honest reporting of income. The previously **high corporation tax rate has also been gradually lowered.** Efforts have been made to reform indirect taxes on goods to support the creation of a unified national market for commodities. It can be understood by Laffer curve. **Laffer curve** is the theoretical representation of the relationship between **tax rates and tax revenue.**



Statement c is correct- After the 1991 economic reforms in India, **foreign investment limits in private banks were raised to 74%.** This was done to attract more foreign investment into the Indian banking sector and to make Indian banks more competitive in the global market.

Statement d is correct- To safeguard domestic industries, India previously enforced strict controls on imports, including high tariffs and quantitative restrictions. These measures, however, hindered efficiency and competitiveness, resulting in slow growth in the manufacturing sector. Trade policy reforms in 1991 were introduced to address this, involving the **elimination of quantitative restrictions on imports and exports, reductions in tariff rates, and the removal of import licensing procedures, except for hazardous and environmentally sensitive industries. Import restrictions on manufactured consumer goods and agricultural products were entirely lifted in April 2001**, and **export duties were abolished** to enhance the competitiveness of Indian products in global markets.

145. Solution: (c)

Exp) Option c is the correct answer.

Agriculture during the colonial period was driven by exploitative land revenue systems, such as the zamindari system, which placed heavy financial burdens on farmers. This, coupled with land fragmentation, lack of infrastructure, export-oriented cash crops, and limited access to credit and technology, discouraged investment in modernization, leading to stagnant agricultural practices and low productivity.

Option 1 is correct. The zamindari system imposed a fixed land revenue on landowners, regardless of the agricultural output. **The Sunset clause in Permanent Settlement Act required the Zamindars to submit the fixed amount of revenue collected from the farmers on a fixed day of the month, failing which the zamindars were subjected to heavy penalty and in some cases, they could even lose their Zamindari rights.**

Hence the zamindars were more focused towards rent collection and were least interested in the plight of the farmers.

Option 2 is correct. Many agricultural practices during the colonial period were traditional and relied on manual labor and outdated techniques. The **lack of initiatives from the colonial government towards advancements in agriculture technology hindered productivity in the sector. The farmers had to take loans to pay taxes, which led to a vicious cycle of poverty.**

Option 3 is correct. Despite some progress made in irrigation during this period, India's agriculture was starved of investment in terracing, flood-control, drainage and desalinization of soil. These led to spread of barren lands to a larger proportion of total arable land.

Option 4 is incorrect. It is true that cash crops had higher yield as compared to food crops, but they required significant investment, therefore only a small proportion (not the majority) of farmers switched to commercial crops. **Many renters, small farmers, and sharecroppers lacked the means, access to technology, and financial incentives to invest in agriculture, therefore they avoided cultivation of cash crops.** Also, the returns from cash crops were not high as they were to be ultimately used by British industries back in England.

146. Solution: (d)

Exp) Option d is the correct answer.

Statement a is correct: In 1818, **the first Indian cotton mill, the Bowreah Mills,** was created by **Henry Gouger at Fort Gloster in the Hughli district of Calcutta.**

Statement b is correct: In 1853, it was on this day that the first passenger train of the Indian sub-continent ran from Bori Bunder in Mumbai to Thane. The train was operated by the Great Indian Peninsula Railway and was hauled by three steam locomotives (Sindh, Sultan, and Sahib).

Statement c is correct: The first iron and steel industry in India was set up in 1870 at Kulti, Bengal. It was called the Bengal Iron and Steel Company (BISCO). However, the industry did not take off. **The Tata Iron and Steel Company (TISCO) was established in 1907 was the first Iron and steel industry in India.**

Statement d is incorrect: Coal mining was first started at Raniganj in 1774. The Raniganj Coalfield is the oldest coalfield in India. It is located in the Bardhaman, Birbhum, Bankura, and Purulia districts of West Bengal, and the Dhanbad district of Jharkhand. The Jharia Coalfield was discovered in 1820, and coal mining began there in 1841.

147. Solution: (a)

Exp) Option a is the correct answer.

Statement I and II are correct and Statement II is the correct explanation for statement I:

The opening of the Suez Canal in 1869 had a significant impact on India's foreign trade. It made it **easier and cheaper for British goods to be imported into India**, and for Indian goods to be exported to Britain. This led to an increase in trade between the two countries, but it also **led to a decline in trade diversity**, as India became more reliant on Britain for imports and exports.

The reason for the decline in trade diversity is that the opening of the Suez Canal gave British goods a comparative advantage in the Indian market. This means that British goods were more competitive than goods from other countries, due to the lower transportation costs. As a result, Indian consumers began to demand more British goods, and the demand for goods from other countries declined.

148. Solution: (c)

Exp) Option c is the correct answer.

The 1991 economic reforms in India, also known as the New Economic Policy, marked a significant shift towards liberalization, privatization, and globalization. These reforms aimed to boost economic growth, attract foreign investment, modernize industries, and liberalize trade, leading to substantial improvements in India's economic performance and global integration.

Statement 1 is correct: Foreign Institutional Investors (FII) were allowed to invest in Indian financial markets by removing Quantitative **restrictions.** Foreign Institutional Investors (FII), such as merchant bankers, mutual funds and pension funds, are now allowed to invest in Indian financial markets.

Statement 2 is correct: To stimulate economic growth and encourage investment, **the government reduced the corporation tax rate.** This made India a more attractive investment destination and helped Indian companies become more competitive globally.

Statement 3 is correct: Many goods produced by small-scale industries were de-reserved. This step allowed small-scale industries to grow and compete without the constraints of reserved production lists. It led to increased efficiency, productivity, and the ability to scale up operations to meet market demands.

149. Solution: (b)

Exp) Option b is the correct answer.

After the **1991 economic reforms** in India, the **licensing regime was significantly relaxed**, but **not entirely abolished**. The **reforms** aimed to **promote efficiency, enhance productivity**, and **attract foreign investment**. However, **certain industries** continued to **require licenses.**

Statement 1 is correct: The **production of defence equipment like Defence aircraft and Warships of all kinds still required licenses** to operate under to operate under Industries (Development & Regulation) Act, 1951.

Statement 2 is incorrect: The **automobile sector was liberalized**, and the **requirement for industrial licensing was removed** for most of the industries, including the automobile sector, to promote competitiveness and efficiency.

Statement 3 is correct: The **Specified hazardous chemicals i.e. i. Hydrocyanic acid and its derivatives, ii. Phosgene and its derivatives, iii. Isocyanates and disocyanates of hydrocarbon not elsewhere specified (methyl isocyanate)** remained **regulated** with **licensing requirements** due to the **potential risks** it poses to the environment and public safety, necessitating strict oversight.

Statement 4 is correct: Licensing for industrial explosives is crucial due to the high potential for misuse and the need for **stringent security measures** to prevent accidents and ensure safety.

Statement 5 is incorrect: The **textile industry**, except for certain specified segments, was **liberalized, removing the need for licenses.** This move was **intended to boost competitiveness** and **efficiency in the textile sector**, not to protect small-scale industries through licensing.

Important Tips

1) The 1991 economic reforms in India marked a significant shift towards liberalization, privatization, and globalization, aiming to make the Indian economy more market-oriented and globally competitive.
2) These reforms encompassed various sectors, including industrial, financial, and trade policies, leading to a substantial reduction in licensing requirements.
3) The careful selection of industries for continued licensing underscores the importance of regulatory oversight in safeguarding public welfare in the context of liberalizing economic policies.

150. Solution: (a)

Exp) Option a is the correct answer.

India has experienced **more or less consistent and steady changes in the structure of the output of the economy**, especially after the economic reforms of 1990–91.

Statement 1 is correct: The level of foreign exchange reserves has steadily increased **from US$ 5.8 billion as at end-March 1991 to US$ 76.1 billion by end-March 2003** and it stood at **$642.49 billion** as of March 2024.

Statement 2 is incorrect: Agriculture, which accounted for nearly 30 per cent of the total GDP in 1991, now accounts for 17.4 per cent of the economy.

151. Solution: (b)

Exp) Option b is the correct answer.

The National Institution for Transforming India (NITI Aayog) is an organization that helps India develop through innovation, collaboration, and inclusive growth. The Union Cabinet of India passed a resolution on January 1, 2015 to establish the NITI Aayog. It is an extra/non-constitutional advisory body.

Statement 1 is correct. The Governing Council of NITI Aayog comprises the Chairman, Vice Chairman, **Chief Ministers of all states** and Union Territories with legislatures, and the Lieutenant Governors of other Union Territories, along with ex-officio, full time members and special invitees.

Statement 2 is incorrect. Its governing structure includes a chairperson, governing council, regional councils, and other members. **The Prime Minister of India is the chairman of NITI Aayog.** The Vice Chairperson is nominated by the Prime Minister, and has a cabinet rank.

Statement 3 is incorrect. NITI Aayog is a policy think tank that provides strategic and futuristic guidance to the Government of India. It has the twin mandate to oversee the adoption and monitoring of the Sustainable Development Goals in the country and promote competitive and cooperative federalism among States and Union Territories of India. **It does not have the authority of allocating funds for projects of the Government of India.**

152. Solution: (b)

Exp) Option b is the correct answer.

India adopted **Five-Year Plans** after independence to guide economic development, drawing from various **economic models**. These plans were designed with distinct **priorities and strategies**, influencing sectors such as **agriculture, industry, and infrastructure**. Different economic models shaped each plan's **focus and execution**, aligning with national objectives.

Row 1 is correct. The **First Five-Year Plan (1951–1956)** was based on the **Harrod-Domar Model**, which emphasizes **capital accumulation and investment for economic growth**. The model was adapted to focus on **agricultural development**, as India was recovering from **partition-induced food shortages** and required rapid **agricultural expansion** to ensure food security.

Row 2 is correct. The **Second Five-Year Plan (1956–1961)** was based on the **Mahalanobis Model**, formulated by **P.C. Mahalanobis**, an Indian statistician and economist. This plan emphasized **rapid industrialization**, focusing on the growth of **capital goods industries** such as **steel, machinery, and heavy engineering**. The goal was to create a **strong industrial base** for long-term economic sustainability.

Row 3 is incorrect. The **Third Five-Year Plan (1961–1966)** aimed at **self-reliance and economic diversification** based on the **Gadgil Formula.** The **Gadgil Formula**, associated with **resource allocation to states**, was implemented later. The Third Plan focused on **agriculture, power generation, and transport**, but its success was hampered by the **India-China War (1962)** and the **India-Pakistan War (1965)**, leading to economic instability.

The **Gadgil Formula did not focus on heavy industries.**

153. Solution: (a)

Exp) Option a is the correct answer.

The Government of India has pursued rapid social and economic growth across the country through planned efforts. The primary institution tasked with this was the Planning Commission, established in 1950, which operated until the end of 2014. On January 1, 2015, the Planning Commission was replaced by the National Institution for Transforming India (NITI Aayog), a premier policy think tank established through an executive resolution to address evolving governance and development needs.

Statement 1 is correct: NITI Aayog focuses on identifying the necessary resources to enhance the effectiveness of program delivery and increase the likelihood of their success. **It also plays a key role in monitoring and evaluating these programs to ensure their objectives are met.**

Statement 2 is incorrect: NITI Aayog does not oversee the devolution of taxes to the state governments. It is the primary function of the Finance commission of India.

Statement 3 is incorrect: The National Adaptation Fund for Climate Change (NAFCC) was established in August, 2015 to meet the cost of adaptation to climate change for the State and Union Territories of India that are particularly vulnerable to the adverse effects of climate change. **National Bank for Agriculture and Rural Development (not NITI Aayog) as National Implementing Entity (NIE) for implementation of adaptation projects under NAFCC by Govt. of India.**

Statement 4 is incorrect: Allocating funds to ministries for various programs is **not a function of NITI Aayog.** The Planning Commission had this function, but the NITI Aayog is purely a think tank and not primarily involved in the allocation of funds to ministries.

154. Solution: (a)

Exp) Option a is the correct answer.

During various times in Indian history, individuals and groups have proposed plans to govern the economic development in India, often with different objectives.

Pair 1 is incorrect. The Sarvodaya Plan was suggested by JP Narayana in 1950. The plan drew its major inspirations

from the Gandhian techniques of constructive works by the community and trusteeship as well as the Sarvodaya concept of Acharya Vinoba Bhave. Major ideas of the plan were: emphasis on agriculture, self-reliance and decentralised participatory form of planning and economic progress.

Pair 2 is correct. People's Plan was suggested by M.N. Roy in 1945. The plan was based on Marxist socialism and advocated the need of providing the people with the 'basic necessities of life'. Agricultural and industrial sectors, both were equally highlighted by the plan.

Pair 3 is incorrect. The Gandhian Plan was given by Srimana Narayana Agarwal in 1944. He emphasized the promotion of small unit production and agriculture, based on Gandhian economic ideas. Its key characteristic was economic decentralization, with self-contained villages and cottage enterprises.

155. Solution: (b)

Exp) Option b is the correct answer.

The National Institution for Transforming India (NITI) Aayog endeavours to promote competitive federalism by facilitating improved performance of States/UTs. It encourages healthy competition among states through transparent rankings, in various sectors.

Option 1 is correct. NITI Aayog has developed the Composite Water Management Index (CWMI) to enable effective water management in Indian states. The Index comprises nine themes (each having an attached weight) with 28 different indicators covering groundwater and surface water restoration, major and medium irrigation, watershed development, participatory irrigation management, on-farm water use, rural and urban water supply, and policy and governance.

Option 2 is incorrect. Digital Payments Index is released by Reserve Bank of India (RBI). The index comprises five broad parameters that enable the measurement of the depth and penetration of digital payments in the country over different periods. These parameters are Payment Enablers; Payment Infrastructure - Demand-side factors; Payment Infrastructure - Supply-side factors; and Consumer Centricity.

Option 3 is incorrect. Financial Inclusion Index is released by RBI. The FI Index comprises of three broad parameters (weights indicated in brackets) – access (35 per cent), usage (45 per cent), and quality (20 per cent) with each of these consisting of various dimensions, which are computed based on a number of indicators.

Option 4 is correct. The State Energy and Climate Index developed by NITI Aayog which includes 27 indicators under 6 parameters is expected to play crucial role in pushing the states to adopt best practices and move towards clean energy transition.

Option 5 is correct. School Education Quality Index (SEQI) was developed by NITI Aayog to evaluate the performance of States and Union Territories (UTs) in the school education sector. The index consists of 30 critical indicators that assess the delivery of quality education.

156. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect. Economic Advisory Council to the Prime Minister (EAC-PM) is a non-statutory, independent body constituted to give advice on economic and related issues to the Government of India, specifically to the Prime Minister.

Statement 2 is incorrect. Prime Minister is not the chairman of the EAC-PM. Rather it is constituted by PM to give him advice on economic matters. EAC-PM consists of a chairperson which at present is held by Bibek Debroy.

Statement 3 is incorrect. The council is generally constituted for a term of two years. The present council was reconstituted in 2021 for a term of 2 years. In 2023 the term of the present council was extended beyond 2023.

Important Tips

The Terms of Reference of EAC-PM include analyzing any issue, economic or otherwise, referred to it by the Prime Minister and advising him thereon, addressing issues of macroeconomic importance and presenting views thereon to the Prime Minister. These could be either Suo-motu or a reference from the Prime Minister or anyone else. They also include attending to any other task as may be desired by the Prime Minister from time to time.

157. Solution: (c)

Exp) Option c is the correct answer.

India's **Five-Year Plans, spanning from 1951 to 2017,** were pivotal in shaping the country's economic and social development post-independence. These plans evolved from an initial focus on agriculture in the First Five-Year Plan to subsequent emphasis on industrialization, poverty alleviation, self-reliance, and inclusive growth. The planning and implementation of India's Five-Year Plans were overseen by the **Planning Commission of India,** which played a crucial role in formulating strategies, allocating resources, and monitoring progress towards plan objectives.

Pair 1 is correctly matched: The **First Five-Year Plan (1951-1956)** in India primarily focused on **agriculture.** The main objectives of this plan were to increase agricultural production, improve irrigation facilities, enhance land utilization, and promote agricultural research and development. The goal was to achieve food self-sufficiency and address the food shortage and famine conditions prevalent during that time. The plan also focused on **price stability, power and transport.**

Pair 2 is correctly matched: The **Third Five-Year Plan (1961-1966)** in India felt that India has entered the take off stage. Therefore, **its aim was to make India a self-reliant and self-generating economy.**

Pair 3 is correctly matched: The **Fifth Five-Year Plan (1974-1979)** in India had two main objectives. First, it

aimed to address poverty through programs like "**Garibi Hatao" (removal of poverty)**, focusing on employment generation, social welfare schemes, and poverty alleviation measures. Second, the plan emphasized the **need for self-reliance** in various sectors, including agriculture, industry, and technology, to reduce dependence on external aid and imports.

158. Solution: (d)

Exp) Option d is the correct answer.

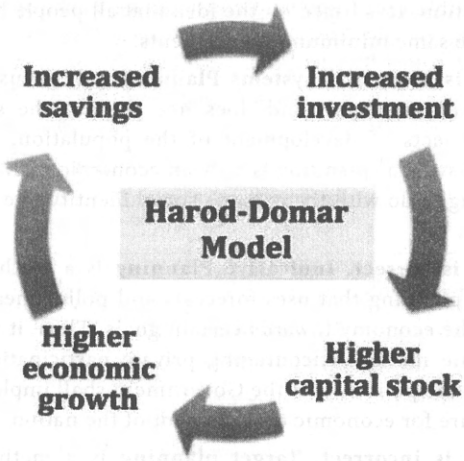
The Harrod-Domar model is a classical economic growth model that explains the relationship between economic growth, capital accumulation, and savings. The model was developed by economists R. F. Harrod and E. D. Domar in the 1930s and 1940s. The Harrod–Domar model is a Keynesian model of economic growth.

Option a is incorrect. The **Nehru-Mahalanobis model** focused on 'Rapid industrialization with particular emphasis on the development of basic and heavy industries. Industrial Policy of 1956 accepted the establishment of a socialistic pattern of society as the goal of economic policy in India. It was adopted in 2nd 5 year plan..

Option b is incorrect. The **Lewis Dual-Sector Model** focuses on the structural transformation of an economy from agriculture to industry. It was proposed by economist Arthur Lewis who describes the process of economic development as a process in which surplus labor from the agricultural sector moves to the industrial sector, leading to industrialization and economic growth. While both the Harrod-Domar Growth Model and the Lewis Dual-Sector Model are concerned with economic growth, they focus on different aspects: the former emphasizes the role of savings and investment, while the latter focuses on structural transformation and industrialization.

Option c is incorrect. The **Rostow Stages of Economic Growth Model** describes the sequential stages through which economies develop. It was developed by economist Walt Rostow who suggested that economies pass through distinct stages of development, including traditional society, preconditions for takeoff, takeoff, drive to maturity, and the age of high mass consumption. While this model outlines stages of economic development, it does not specifically address the relationship between savings, investment, and economic growth, which is the main focus of the Harrod-Domar Growth Model.

Option d is correct. The **Harrod-Domar Growth Model** (used in 1st Five year Plan of India) highlights the relationship between savings, investment, and economic growth. This option correctly identifies the main idea of the Harrod-Domar Growth Model which emphasizes that economic growth is determined by the level of saving and investment in an economy. Higher savings allow for more investment, which in turn leads to greater capital accumulation and economic growth Further, Harrod – Domar model is directly related to investments and inversely related to the capital-output ratio.



Important Tips

In the Harrod-Domar model, the rate of economic growth (g) is directly related to the level of investment (I) in the economy and inversely related to the capital-output ratio (K/Y).

Direct Relationship with Investment (I):

1. Investment refers to the expenditure on capital goods such as machinery, equipment, and infrastructure that are used in the production process.
2. According to the Harrod-Domar model, higher levels of investment lead to higher rates of economic growth. This is because investment increases the capital stock, which in turn increases production capacity and output.
3. When businesses invest more in capital goods, they can produce more goods and services, leading to overall economic expansion.

Inverse Relationship with Capital-Output Ratio (K/Y):

1. The capital-output ratio (K/Y) represents the amount of capital required to produce one unit of output.
2. A lower capital-output ratio indicates that less capital is needed to produce a given level of output, suggesting that the economy is more efficient in utilizing its capital.
3. In the Harrod-Domar model, a lower capital-output ratio implies higher productivity and efficiency in the utilization of capital, which leads to faster economic growth.
4. Conversely, a higher capital-output ratio suggests that more capital is required to produce the same level of output, indicating inefficiency and slower growth

159. Solution: (c)

Exp) Option c is the correct answer.

Planning refers to the process of realizing well-defined developmental goals through optimum utilization of the available resources.

Option a is incorrect. Normative planning takes into account the economic needs and the socio-cultural needs of

the population. It is based on the idea that all people have a right to the same minimum requirements.

Option b is incorrect. Systems Planning only focuses on economic development, and does not go into the socio-cultural aspects of development of the population. Thus, poverty in systems planning is only an economic reality and has nothing to do with the person's social identity like caste, gender etc.

Option c is correct. Indicative Planning is a method of economic planning that uses forecasts and policy measures to guide the economy towards certain goals. Thus, it works through the market, encouraging private participation by indicating the policies that the Government shall implement in the future for economic development of the nation.

Option d is incorrect. Target planning is a method of setting goals and targets for economic development in a specific time frame. Thus, it is also called imperative or directive planning. It envisages no role for the market and heavily relies on state directions.

160. Solution: (a)

Exp) option a is the correct answer.

According to recent data from the Ministry of Statistics and Programme Implementation, the Indian government has achieved more than 90% target completion in six out of 14 parameters under the Twenty Point Programme.

The **Twenty Point Programme (TPP)** is a **poverty alleviation initiative** launched by the Government of India to improve the living conditions of the poor and promote economic development.

Statement 1 is correct. The TPP was launched in 1975 during the Fifth Five-Year Plan (1974-1979) by the then Prime Minister Indira Gandhi. It aimed to address **poverty, employment, education, and rural development.** Over time, the program has been **restructured** (in 1982, 1986 and 2006) to align with evolving socio-economic needs.

Statement 2 is incorrect. The **Ministry of Statistics & Programme Implementation has been given the responsibility of monitoring** all the 65 items, of which some are reported on quarterly basis, and the others on annual basis.

161. Solution: (c)

Exp) Option c is the correct answer.

Post-independence, India embarked on a journey of economic planning and policy formulation to foster industrial and financial growth. Key events, such as the **nationalization of the Reserve Bank of India (RBI), the announcement of the first Industrial Policy, the establishment of the Planning Commission, and the Enactment of the Industries (Development and Regulation) Act**, played a crucial role in shaping India's economic landscape.

The chronological order of the events are as follows:

- **Announcement of First Industrial Policy (1948):** This policy aimed to shape the country's industrial landscape by defining the role of the public and private sectors. The policy categorized industries into three broad groups: those under exclusive government control, those where both the public and private sectors could participate, and those reserved entirely for private enterprise.
- **Nationalization of RBI (1949):** The **Reserve Bank of India (RBI)** was initially established in **1935** as a private entity under the **Reserve Bank of India Act, 1934.** However, after independence, the government aimed to bring the central bank under its control to regulate monetary policy efficiently. Consequently, the RBI was **nationalized on 1 January 1949**, ensuring direct government oversight over India's banking system and economic policies.
- **Establishment of Planning Commission** (1950): **Planning Commission** was established on **15 March 1950**, under the **chairmanship of Prime Minister Jawaharlal Nehru.** The Commission was responsible for formulating **Five-Year Plans**, which would guide India's economic policies in areas such as agriculture, industry, and infrastructure.
- **The Industries (Development and Regulation) Act (1951):** The Industries (Development and Regulation) Act was enacted on October 31, 1951. The Act brings under Central control the development and regulation of a number of important industries the activities of which affect the country as a whole and the development of which must be governed by economic factors of all-India import.

162. Solution: (d)

Exp) Option d is the correct answer.

The economic crisis of **1990-91** was one of the most severe financial crises in India's history. It was marked by **high fiscal and balance of payments (BoP) deficits, a sharp rise in inflation, and critically low foreign exchange reserves.** Several factors contributed to the crisis, including rising inflation, increasing current account deficit, industrial slowdown, and excessive government borrowing.

Option 1 is correct: Inflation in the Indian economy during the crisis of **1990-91** rose to over **13%**, far exceeding the normal range of **4-5%.** This increase was driven by:

1. Excessive government borrowing, which led to **higher money supply.**
2. **Fiscal deficit financing** through the printing of currency.
3. Rising **oil prices** due to the **Gulf War (1990-91)**, which increased import costs.

Option 2 is correct: The **Current Account Deficit (CAD)** represents the excess of imports over exports. India's CAD reached **1.5% of GDP**, compared to the normal level of **1%**, due to:

1. **Declining export competitiveness** due to outdated industrial policies.
2. **Increased dependence on imports**, especially petroleum, machinery, and consumer goods.
3. The **collapse of the Soviet Union**, India's largest trading partner, disrupting trade inflows.

Option 3 is correct: The Gulf War in 1990-91 led to a sharp increase in global crude oil prices. As India relied heavily on imported oil, the price hike resulted in higher import bills, contributing to the current account deficit. The increased oil prices also fueled inflation, as transportation and production costs rose.

163. Solution: (d)

Exp) Option d is the correct answer.

In 1991, India met with an economic crisis relating to its external debt. In the wake of this crisis, the New Economic Policy (NEP) of 1991 was announced which consisted of wide ranging economic reforms.

Statement 1 is incorrect. The Monopolistic and Restrictive Trade Practices (MRTP) Act was passed as a part of the Industrial Policy Statement, 1969. The Act intended to regulate the trading and commercial practices of the firms and to check monopoly and concentration of economic power. Under **the act MRTP Commission was set up to enquire into monopolistic or restrictive trade practices.**

The Act required the firms with assets of Rs. 25 crore or more to take permission from the Government before any expansion, or starting new greenfield ventures. Such firms came to be known as the 'MRTP Companies'.

In 2002, the Competition Act was passed which replaced the MRTP Act.

Statement 2 is incorrect. Industrial Policy Statement, 1973 – The thrust of this Policy Statement was an identification of **high-priority industries where investment from large industrial houses and foreign companies were permitted.**

The **New Economic Policy of 1991 encouraged foreign investment** in both direct and indirect forms. For example, foreign investment limit in banks was raised to around 74 per cent. Foreign Institutional Investors (FII), such as merchant bankers, mutual funds and pension funds, are now allowed to invest in Indian financial markets.

Statement 3 is incorrect. The **Foreign Exchange Regulation Act (FERA) was passed in 1973** to regulate the foreign exchange.

The 1991 policy committed to dilute and ultimately replace the draconian FERA with a highly liberal Foreign Exchange Management Act (FEMA). The Foreign Exchange Management Act was finally enacted in 1999.

Statement 4 is incorrect. The Industrial Policy Statement, 1973 put some industries under the reserved list in which only the small or medium industries could be set up.

By 1991 policy, many (not all) goods produced by small-scale industries were dereserved.

Important Tips

The major highlights of the New Economic Policy of 1991 were:

1. The industries which were reserved for the Central Government were reduced to only eight.
2. The number of industries put under the compulsory provision of licensing were cut down to only 18.

164. Solution: (c)

Exp) Option c is the correct answer.

The responsibility for overseeing SDG implementation has been assigned to the National Institution for Transforming India (NITI Aayog), which is the premier policy think tank of the Indian Government and is chaired by the Prime Minister of India.

165. Solution: (c)

Exp) Option c is the correct answer.

In 1991, the Indian economy experienced a major economic crisis related to Balance of payment. To overcome the crisis, India announced the New Economic Policy (NEP), introducing extensive economic reforms under three main categories: liberalisation, privatisation, and globalisation. Prior to the 1991 reforms, numerous laws and regulations imposed significant restrictions on the industrial sector. The goal of liberalisation was to eliminate these constraints and open up various sectors of the economy

Option 1 is correct: The industries (Development & Regulation) Act, 1951 introduced the concept of Industrial licensing under which every entrepreneur had to get permission from government officials to start a firm, close a firm or decide the amount of goods that could be produced. **Post 1991, Industrial licensing was abolished for almost all except product categories** such as alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace and drugs and pharmaceuticals.

Option 2 is correct: Tax liberalization measures focus on reforms in the government's taxation and public expenditure policies. Since 1991, India has gradually **reduced income tax rates for individuals**, recognizing that high tax rates were a major cause of tax evasion. It is now widely acknowledged that moderate income tax rates promote savings and encourage voluntary income disclosure. Additionally, **the corporation tax rate, once very high, has been progressively lowered** as part of these tax liberalization efforts.

Option 3 is correct: Trade liberalization measures were introduced **to enhance the international competitiveness of Indian industries** and attract foreign investments and technology. The reforms aimed to improve the efficiency of local industries and encourage the adoption of modern technologies. Key trade policy changes included: (i) Dismantling quantitative restrictions on imports and exports (ii) **Reducing tariff rates** (iii) Removing import licensing procedures, except for hazardous and environmentally sensitive industries.

166. Solution: (b)

Exp) Option b is the correct answer.

During British colonial rule, industrial development in India was limited and largely shaped by the needs and interests of the British Empire.

Statement 1 is incorrect: Under colonial rule, **India was not allowed to develop a strong industrial base.** While the country's **renowned handicraft industries declined, no**

modern industrial base was established to replace them. The colonial government's policy of deindustrialization had two primary objectives: first, to reduce India to a mere exporter of raw materials for Britain's growing industries, and second, to make India a large market for British-manufactured goods, ensuring the continued expansion of British industries for their maximum benefit.

Statement 2 is correct: In the second half of the nineteenth century, starting in the 1850s, modern industry began to take root in India, although its progress was slow. **The first textile mill was opened in Bombay by Cowasjee Nanabhoy in 1853**, marking the beginning of the cotton textile industry. The cotton mills, primarily run by Indians, were concentrated in the western regions, particularly Maharashtra and Gujarat. **The first jute mill was established in Bengal in 1855**, and these mills, largely controlled by foreigners, were mainly concentrated in the region. Over time, both the cotton and jute industries gradually expanded.

Statement 3 is incorrect: During the second half of the 19th century and the beginning of the 20th century, various industries began to develop in India, including **cotton gins and presses, rice and flour mills, timber mills, leather tanneries, Woolen textiles, sugar mills, and iron and steel works. Mineral industries such as salt, mica, and saltpetre also emerged**. However, most of these industries were consumer goods industries and despite this growth, **there was a significant lack of capital goods industries, which are crucial for industrial expansion.** The absence of industries focused on producing machinery, equipment, and tools necessary for further industrial development limited the overall industrial capacity of India.

167. Solution: (c)

Exp) Option c is the correct answer.

Land reforms in India aimed to address historical inequities in land ownership and distribution. Key objectives included:

Abolishing intermediaries

Land redistribution

Tenancy reforms

Statement 1 is correct: Land ceiling was a significant measure under land reforms in India to reduce inequality in land ownership. It imposed a maximum limit on the amount of land that an individual or family could own, and excess land was redistributed to landless or marginalized farmers.

Statement 2 is correct: As part of land reforms most of the states enacted laws to fix the maximum amount of the rent that can be charged on the tenants by landlords. The maximum rent that can be charged by a landlord may change from state to state. For example, states like Andhra Pradesh and Tamil Nadu imposed a maximum limit of 40 percent of the value of the gross produce. The 6th Five year plan suggested the state governments pass laws to bring down rents to ensure rents are not above 33% of the gross produce.

168. Solution: (d)

Exp) Option d is the correct answer.

India saw several initiatives for economic planning before independence, driven by the desire to achieve industrialization and economic self-sufficiency.

Visvesvaraya Plan (1934): Proposed by **Sir M. Visvesvaraya,** a renowned engineer and statesman, this was the **first comprehensive attempt at economic planning in India.** The Visvesvaraya plan was an exercise in democratic capitalism (as found in the USA) with emphasis on industrialization. The plan aimed to double the national income in one decade. It highlighted the need for developing key industries like steel, cement, and engineering and focused on building modern infrastructure, including irrigation, power generation, and transportation.

Bombay Plan (1944): This plan was developed by a group of leading industrialists, including **J.R.D. Tata, G.D. Birla, and others,** to outline a vision for India's post-war economic reconstruction. The Bombay Plan had major emphasis on **agricultural development and rapid industrialization.** It stressed on both heavy industries and basic industries. Further, it stressed upon development of essential consumer goods industry, enhancing the role of MSMEs, and social welfare in order to check prevailing inequalities. It also advocated for **state intervention** to ensure equitable growth.

People's Plan (1945): Proposed by **M.N. Roy,** a radical humanist and political thinker. The plan was based on **Marxist socialism** and advocated the need of providing the people with the **'basic necessities of life'.** Its main focus was on collectivization and the establishment of state-owned industrialization in the agricultural and consumer goods industries.

169. Solution: (a)

Exp) Option a is the correct answer.

Statement I is correct. The **Third Five-Year Plan (1961–1966)** focused on making India self-reliant and setting a foundation for economic development, especially in agriculture and industry. However, the target growth was not achieved due to a combination of external and internal challenges, including wars and natural calamities. **As against the Third Five Year plan's Target growth of 5.6 %, Actual growth attained was just 2.8 %.**

Statement II is correct. In **1962**, India faced the **Chinese aggression,** which exposed deficiencies in defense and strained economic resources. In **1965**, India was engaged in a **war with Pakistan,** further **diverting resources from development plans** to defense spending. These conflicts disrupted the implementation of the Third Plan and contributed to its failure.

Statement III is correct. In the fiscal year **1965-66**, India faced one of its **severe droughts** due to monsoon failure, leading to agricultural distress and food shortages. This aggravated the economic difficulties during the Third Plan period and contributed significantly to the failure of its targets.

Statement II and III are the correct explanation for statement I. The Third Five-Year Plan's ambitious goals of achieving self-reliance and rapid industrial growth were derailed

due to **increased defense expenditure** during and after the 1962 Chinese aggression and 1965 Indo-Pak War and **severe drought** in 1965-66, leading to poor agricultural performance, food shortages, and reliance on foreign aid.

170. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correct. The 4th Five-Year Plan (1969-74) focused on **growth with stability and self-reliance.** In **1969,** during the tenure of Prime Minister **Indira Gandhi, 14 major commercial banks were nationalized.** This was a landmark event in India's financial history and was aligned with the Plan's goals of strengthening the public sector.

Pair 2 is correct. The 5th Five-Year Plan (1974-79) emphasized **poverty alleviation and self-reliance.** Prime Minister **Indira Gandhi** launched the **20-point programme in** 1975 as a direct measure to address these issues. This programme focused on areas like land reforms, workers' rights, anti-inflation measures, and eradication of poverty. This FYP was relegated to the background and when Janta Party came to power in 1978, the Plan was terminated. There started rolling plans for the period of 1978-80.

Pair 3 is incorrect. The LPG (Liberalization, Privatization, and Globalization) reforms were introduced in **1991** during the **8th Five-Year Plan (1992–1997)** to address the **Balance of Payment (BoP) crisis.** These reforms marked a major economic shift under the leadership of **P.V. Narasimha Rao.** The **9th Five Year Plan (1997–2002)** focused on **growth with social justice and equality.**

171. Solution: (c)

Exp) Option c is the correct answer.

The Sarvodaya Plan drew inspiration from **Mahatma Gandhi and Vinoba Bhave's concept of Sarvodaya**, meaning "welfare of all." **Sarvodaya Plan as a formal economic concept was formulated by Jayaprakash Narayan in 1950.** It focused on decentralized, self-reliant, and participatory development, emphasizing agriculture, land reforms, and rural upliftment.

Statement 1 is incorrect. The Sarvodaya Plan was formulated by **Jayaprakash Narayan, not Vinoba Bhave.** However, it drew inspiration from Vinoba Bhave's concept of Sarvodaya.

Statement 2 is correct. The main focus of the plan was on **agriculture and land reforms** along with the development of **small scale industries**. This focus aligned with the broader Gandhian philosophy of rural self-sufficiency.

Statement 3 is correct. Decentralized participatory planning was a key feature of the Sarvodaya Plan. It advocated for **self-reliant villages (Gram Swaraj)** where local communities actively participated in decision-making and resource allocation, minimizing reliance on centralized governance.

172. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is incorrect: The **E-Amrit Portal** is a comprehensive web platform launched by India to **promote the adoption of electric vehicles** (EVs). The portal is **not related to promoting clean drinking water or establishing filtration plants in rural areas.**

It was introduced during the **COP26 Summit in Glasgow, UK, 2021**, and is **developed and hosted by NITI Aayog** as part of a collaborative knowledge exchange programme with the UK government, aligned with the **UK–India Joint Roadmap 2030.**

The portal serves as a **one-stop destination** for a wide range of information on electric vehicles, including: information about EVs, benefits of switching to EVs, available models, charging infrastructure, financing options, subsidies and also busting myths around the adoption of EVs.

Pair 2 is correct: The **Shoonya Campaign** is an initiative launched by **NITI Aayog** in collaboration with the **Rocky Mountain Institute** (RMI) India. The campaign aims to **promote the use of zero-emission electric vehicles (EVs), particularly in the urban freight sector,** to **improve urban air quality.**

It aims at **raising awareness** about the benefits of EVs among consumers while recognizing industry efforts in adopting cleaner technologies.

It combines **corporate branding, impact assessment**, and **consumer awareness** to encourage businesses and logistics providers to transition to electric vehicles.

Pair 3 is correct: The **Aspirational District Programme** (ADP) is an **initiative launched by NITI Aayog** in **2018** with the goal of transforming **India's most underdeveloped districts.**

The programme focuses on identifying areas for immediate improvement and tracks progress by ranking districts.

The ranking is based on incremental progress made across **49 Key Performance Indicators** under **5 broad socio-economic themes: Health** and **Nutrition, Education, Agriculture** and **Water Resources, Financial Inclusion** and **Skill Development** and **Infrastructure.**

173. Solution: (c)

Exp) Option c is the correct answer.

Statement a is correct. More than half of India's foreign trade was restricted to Britain only. For all practical purposes, Britain maintained a monopoly control over India's exports and imports. As a result, **more than half of India's foreign trade was restricted to Britain** while the rest was allowed with a few other countries like China, Ceylon (Sri Lanka) and Persia (Iran).

The most important characteristic of India's foreign trade throughout the colonial period was the **generation of a large export surplus.**

Statement b is correct. India has been an important trading nation since ancient times. But the restrictive policies of commodity production, trade and tariff pursued by the colonial government adversely affected the structure, composition and volume of India's foreign trade.

Consequently, **India became an exporter of primary products** such as raw silk, cotton, wool, sugar, indigo, jute etc. and **an importer of finished consumer goods** like cotton, silk and woollen clothes and capital goods like light machinery produced in the factories of Britain.

Statement c is *incorrect*. An important characteristic of India's foreign trade throughout the **colonial period was the generation of large export surplus.**

Statement d is correct. Most of the revenue generated out of foreign trade was not invested back in India and as a result led to Drain of wealth. Export surplus did not result in any flow of gold or silver into India. Rather, this was used to make payments for the expenses incurred by an office set up by the colonial government in Britain, expenses on war, again fought by the British government, and the import of invisible items, all of which led to the **drain of Indian wealth.**

174. Solution: (c)

Exp) Option c is the correct answer

Statement 1 is correct. The share of agriculture investment in the total investment declined from 11.4% in 1980s to 7.4% in 2000s. Evidence show that inequality increased in post-reform period India. Even with a doubling of per capita consumption growth in the post-reform decade, the decline in poverty was less by a quarter compared to the pre-reform decade.

There has been a **relative neglect of the agriculture sector** by policymakers. While economic development entails a move from the off-farm to industry and services, deficiencies of public investments in agriculture, and in the rural economy more generally, has been problematic precisely because the productivity of agriculture determines the standards of living of the majority of the people in India.

Statement 2 is *incorrect*. Post-reform period saw an **increase in casual labour and not a decline.** The growth of the labour-intensive manufacturing sector has been slow and has been lagging behind the service sector, which is less labour intensive. Also, a high growth in the post-liberalisation period has been accompanied by **increased informalisation and de-unionisation of workforce.** Economically and socially deprived sections of society were mostly employed as casual labour. These are some of the worrisome features of the labour market, as these workers have low bargaining power and earn meagre wages.

Statement 3 is correct. Public expenditure on social sectors has suffered after 1991. As a percentage of GDP, social sector expenditure after 1991 was generally less than what it was in the late 1980s. This has impacted the improvement in health and quality of education in India, which affects economic growth and its distribution.

Statement 4 is *incorrect*. India's foreign exchange reserves has **increased significantly since 1991.** In June 1991, India had less than $1 billion foreign reserves. At present, India's foreign exchange reserves stood at more than USD 600 billion.

ECONOMIC & SOCIAL DEVELOPMENT

PUBLIC FINANCE

2.1. Fiscal Policy in India

1. Consider the following factors:

1. Investment
2. Transfer payments
3. Marginal propensity to consume
4. Government expenditure

How many of the factors given above affect the aggregate demand in an economy?

(a) Only one
(b) Only two
(c) Only three
(d) All four

2. If external debt vis-a-vis internal debt, in the government's total debt increases, which of the following would be its likely impact on the Indian economy?

(a) It may bring down the interest that the government pays on its debt.
(b) In the short term, it may lead to the rupee depreciating against the dollar.
(c) It will have a positive impact on the Make in India initiative.
(d) In the long term, it will increase countries' ability to invest in social and physical infrastructure.

3. The Budget in India is based on the Principle of Annuity, that is, the Parliament grants money to the government of India for one financial year. If the granted money for a particular service is lapsable and is not spent by the end of the financial year-

(a) then the balance for that particular service expires and returns to the Public Accounts of India.
(b) then the balance for that particular service expires and returns to the Consolidated Fund of India.
(c) then the balance for that particular service is automatically carried forward to the next financial year as a reserve fund.
(d) then the government can't make a demand for a grant for that particular service in the next Budget.

4. Which of the following best illustrates the example of transfer payments?

(a) Government subsidy to farmers.
(b) Salaries paid by the National Thermal Power Corporation (NTPC) to its employees.
(c) Purchase of land by the government for Construction of a National Highway.
(d) Interest paid by the government to the SBI for the commercial borrowings.

5. Consider the following actions:

1. Increase in proportional tax.
2. Reduction in repo rate.
3. Decrease in transfer payments.
4. Increase in exports.

How many of the above actions can help in stabilizing the inflation during the economic boom period?

(a) Only one
(b) Only two
(c) Only three
(d) All four

6. Directions: Consider the following Statements marked as Assertion (A) and Reasons (R)

Assertion (A): Deficit financing of government promotes inter-generation transfer of current debt.

Reason (R): More borrowings now means higher rate of taxes in future.

Select the correct answer using the codes given below:

(a) Both A and R are true and R is the correct explanation of A.
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true.

7. With reference to the Indian economy, which of the following statements best reflects the term "Sovereign debt"?

(a) Financial liability of the government only towards the residents of India.
(b) All the financial liability of the government and private companies of India, to foreign countries.

(c) All the financial liability of the government, irrespective of the source of debts.
(d) Only the rupee denominated debts owed by the government to foreign countries.

8. Consider the following statements:

1. Government borrowings will increase the purchasing power of future generations.
2. Government borrowings may indirectly reduce capital formation.
3. Government borrowings would increase public and private savings in an economy.

Which of the above given statements is/are correct?

(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

9. Consider the following statements:

1. Giving unemployment allowances to the MGNREGA laborers can lead to inflation.
2. Government borrowings can directly or indirectly lead to reduced investment and reduced economic growth.
3. Government investments in educational infrastructure can benefit the future generation through increased employment opportunities.

Which of the above given statements are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1, 2 and 3
(d) 2 and 3 only

10. With reference to the Indian Budgeting system, what is the primary reason behind classifying a budget into Capital and Revenue heads?

(a) To differentiate between the sources of income of Union and State Governments.
(b) To distinguish between the investments that generate long-term benefits and the regular expenses incurred for the government's routine operations.
(c) To differentiate between the spending on planned and non-planned activities.
(d) To allocate funds to government departments efficiently.

11. Which of the following statements best describes the Fiscal Deficit in the Indian context?

Fiscal Deficit-

(a) represents the gap between the government's total expenditure and its total receipts, excluding borrowings.
(b) represents the deficit remaining after deducting revenue expenditure and grants for capital asset creation from revenue receipts.
(c) refers to the portion of the deficit that is financed by borrowing from the Reserve Bank of India (RBI).
(d) is the sum of the Revenue Deficit, Capital Expenditure and non-debt creating capital receipts.

12. With reference to the Off Budget Borrowings, consider the following statements:

1. It refers to the borrowings made by the Central Public Sector Enterprises on behalf of the Union Government.
2. They are counted as a part of the Fiscal Deficit.
3. The interest accrued on these are paid entirely from the government budget.
4. It reduces the Parliamentary Control over the Executive in financial matters.

Which of the statements given above are correct?

(a) 1, 2 and 3 only
(b) 1, 2 and 4 only
(c) 1, 3 and 4 only
(d) 2 and 3 only

13. Consider the following statements:

Statement-I: The gross fiscal deficit of a country serves as a crucial indicator for evaluating the overall economic growth and stability.

Statement-II: High fiscal deficit strains the economy by raising borrowing costs, inflation, and crowding out private investment thereby hindering growth in an economy.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

14. Which of the following statements best describes the concept of "Fiscal profligacy"?

(a) A scenario where the government reduces taxes to stimulate economic growth.
(b) The government's heavy reliance on central bank borrowing to address its fiscal obligations.
(c) A situation where the government spends more than it can afford, leading to unsustainable levels of debt and deficits.
(d) The government's fiscal measures aimed at controlling the higher inflationary situation in an economy.

15. Consider the following sources of income:

1. Dividends from Public Sector Undertakings
2. Interest received on loans given by the Central Government
3. Income from Disinvestment of Public Sector Undertakings
4. Dividends from the Reserve Bank of India's operations
5. Recovery of loans given to the state government
6. Profit from circulation of small coins

How many of the above are considered non-tax revenue receipts of the Government of India?

(a) Only three
(b) Only four
(c) Only five
(d) All six

16. In context of Indian Economy, which one of the following statements best reflects the meaning of the terms "Crowding in"?

(a) The private sector is being displaced in the financial market due to borrowing by the government.
(b) The private sector is being encouraged in the financial market due to increased spending by the government.
(c) Government borrowing to boost employment in the public sector.
(d) Government providing financial rescue plans for business entities in distress.

17. In the context of Union Budget, consider the following:

1. Proceeds collected through imposition of Capital Gains Tax.
2. Grants in aid received from foreign countries and multilateral banks.
3. Government borrowings through the issuance of Treasury Bills
4. Fees paid by the citizens for use of services offered by the government.
5. Recoveries of loans that were given to the State Governments.

How many of the above are a part of the revenue receipts of the Union Government?

(a) Only two
(b) Only three
(c) Only four
(d) All five

18. As per the Union Budget 2025-26, arrange the following sources of government revenue in ascending order of their share in the government's total receipts:

1. Union excise duties
2. Borrowing and other liabilities
3. Income Tax
4. Corporation Tax

Select the correct answer using the code given below:

(a) 1-3-2-4
(b) 4-3-2-1
(c) 1-4-3-2
(d) 3-1-4-2

19. Consider the following statements:

Statement-I: Fiscal Drag may lead to reduction in the effective demand in the economy.

Statement-II: Fiscal drag increases the overall tax burden on the taxpayers in an economy.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I
(b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I
(c) Statement-I is correct, but Statement-II is incorrect
(d) Statement-I is incorrect, but Statement-II is correct

20. With reference to the Sovereign Green Bonds in India, consider the following statements:

1. These bonds were launched with the ambition to reduce the Indian economy's Carbon Intensity.
2. Only resident Indians are allowed to invest in Sovereign Green Bonds.
3. The interest received on these bonds is not taxable.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 and 3
(c) 1 and 3
(d) 1 and 2

21. Consider the following statements:

Statement-I: It is compulsory for the Reserve Bank of India (RBI) to purchase government securities that remain unsold in the primary market.

Statement-II: The Reserve Bank of India acts as "Banker to the Government".

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

22. Which among the following will be part of capital receipts for the Government of India?
1. Those receipts which create liability for the Government.
2. Those receipts which reduce financial assets of the Government.
3. Those receipts that are received through the means of indirect taxation.
4. Those receipts that are derived from the recoveries of loans.

Select the correct answer using the code given below:
(a) 1 and 2 only
(b) 2 and 4 only
(c) 1, 2 and 4
(d) 1, 3 and 4

23. Consider the following policy changes:
1. Increasing the tax rates
2. Increasing the spending on welfare schemes
3. Increasing the investments in the infrastructure sector
4. Reducing the amount of subsidies given by the government

If the Indian government adopts a counter-cyclical fiscal policy during the boom period of the economic cycle, it follows how many of the above policies?
(a) Only one
(b) Only two
(c) Only three
(d) All four

24. Consider the following statements regarding Union Budget:
1. The term "budget" is not explicitly mentioned in the Constitution of India.
2. The Department of Financial Services, under the Ministry of Finance, is responsible for the preparation of the Union Budget.
3. It outlines the strategies for raising revenue and specifies the methods for mobilizing resources.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

25. In the context of fiscal policy, what are "Above-the-line" measures?
(a) It includes those measures for which full cost is reflected in the fiscal deficit, government debt, and increased borrowing needs in the short term.
(b) It is the measures taken by the government to achieve fiscal consolidation in the long term.
(c) It includes borrowing by the government bodies but is not included in the governmental debt and has no impact on the fiscal deficit.
(d) It generally involves the creation of assets which may have little impact on the fiscal deficit although they can later increase debt or reduce liquidity.

26. In the context of the Indian economy, the Twin Deficit best refers to the simultaneous occurrence of:
(a) Revenue Deficit and Fiscal Deficit
(b) Current Account Deficit and Capital Account Deficit
(c) Fiscal Deficit and Current Account Deficit
(d) High Budget Deficit and high levels of Non-Performing Assets (NPAs) in the Banking Sector

27. With reference to Fiscal Responsibility and Budget Management (FRBM) Act, 2003, consider the following statements:

As per the act:

1. the Fiscal Deficit can exceed the prescribed targets on the grounds of national security.
2. Fiscal Council has been established to suggest a debt and fiscal framework for the country.
3. the Union Government is mandated to present the Fiscal Policy Strategy Statement with the Union Budget in Parliament.

Which of the statements given above is/are correct?

(a) 1 and 3
(b) 2 and 3
(c) 3 only
(d) 1 only

28. Consider the following statements:

Statement-I: Zero-Based Budgeting (ZBB) was first introduced in India in 2016.

Statement-II: The NK Singh Committee (2016) recommended fiscal consolidation mechanisms for India.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct, and Statement-II explains Statement-I.
(b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I.
(c) Statement-I is correct, but Statement-II is incorrect.
(d) Statement-I is incorrect, but Statement-II is correct.

29. With reference to the Indian economy, consider the following measures:

1. Reducing off-budget borrowings by public sector enterprises.
2. Expanding the personal income tax base.
3. Rationalization of food subsidy.

How many of the above measures contribute to reducing the fiscal deficit?

(a) Only one
(b) Only two
(c) All three
(d) None

30. Higher fiscal deficit in an economy can lead to which among the following situation in the economy:

1. Higher inflation
2. Higher tax rate
3. Higher foreign dependence
4. Higher sovereign credit rating

How many of the options given above are correct?

(a) Only one
(b) Only two
(c) Only three
(d) All four

31. Consider the following:

1. Ensure availability of private goods to all the people.
2. Achieving zero fiscal deficit
3. Reducing the economic inequalities among the people
4. Stabilization of the demand in the economy

How many of the above are primary objectives of government budgeting?

(a) Only one
(b) Only two
(c) Only three
(d) All four

32. With reference to the Indian Budget system, consider the following statements:

1. The first Budget in India was formally introduced in 1909.
2. The word 'Budget' is not mentioned in the Constitution of India.
3. The Department of Revenue under the Union Ministry of Finance is responsible for preparing the Union budget.

Which of the statements given above is/are correct?

(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

33. Consider the following actions:

1. Privatization of loss-making Public Sector Enterprises.
2. Reducing import of defence items.
3. Reducing subsidies on fuels.
4. Zero-based budgeting.

How many of the above actions can help in the reduction of government expenditure?

(a) Only one
(b) Only two
(c) Only three
(d) All four

34. With reference to the difference between Public Provision and Public Production of goods, consider the following statements:

1. In Public Production, the government directly produces goods, whereas in Public Provision, the government finances through the budget for the production of goods.
2. All goods in Public Production are non-rivalrous, whereas some goods within Public Provision are rivalrous.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

35. Consider the following items:

1. Tax Revenues received by the Government of India
2. The loans obtained from foreign governments
3. Provident fund deposits
4. Remittances received from abroad

How many of the items given above are credited to the Consolidated Fund of India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

36. In the context of India which of the following types of government spending does not fall under capital expenditure?

(a) Expenditure on the acquisition of land
(b) Grants given to state governments
(c) Investment in shares
(d) Loans and advances by the central government to state government

37. Consider the following statements regarding the revenue receipts of the Government of India:

1. They are non-redeemable in nature.
2. They either reduce the asset value of the government or create liability for the government.
3. Interest on loans is considered a revenue receipt by the government.

How many of the above are features of revenue receipts?

(a) Only one
(b) Only two
(c) All three
(d) None

38. With respect to capital receipts of the Government of India under budget, consider the following statements:

1. All capital receipts have a debt-creating nature.
2. Profits and dividends received by the Government of India from public sector undertakings fall under capital receipts.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

39. Which of the following statements correctly describes the meaning of debt trap?

It refers to a situation in which-

(a) a corporate entity intentionally borrows funds to minimize its tax liabilities.
(b) the Government borrows mainly to meet its existing debt obligations.
(c) banks provide new loans to a borrower mainly to conceal the actual state of their non-performing loans.
(d) banks assign a lower value to their collateral asset than the amount of the loan.

40. With respect to the policy statements mandated under the Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act), consider the following pairs:

Policy Statement	Objective
1. Macroeconomic Framework Statement	It includes an assessment of central government fiscal balance, GDP growth rate and external sector balance.
2. Medium Term Fiscal Policy Statement	It includes detailed budget estimates for individual programs or activities.
3. Fiscal Policy Strategy Statement	It sets targets for monitoring five specific fiscal indicators.

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

41. Which of the following concepts states a country cannot simultaneously pursue the targets of fixed exchange rate, Free capital movement and independent monetary policy?

(a) Earth Trilemma
(b) Impossible Trinity/Trilemma
(c) International Relations Trilemma
(d) Financial Stability Trilemma

42. In the context of the recommendations of the 15th Finance Commission, arrange the following parameters in the descending order as per their assigned weightage for determining horizontal distribution of taxes among the states:

1. Demographic Performance
2. Income Distance
3. Forest and Ecology
4. Area

Select the correct answer using the code given below:

(a) 2-4-1-3
(b) 4-2-1-3
(c) 2-1-3-4
(d) 4-1-2-3

43. Consider the following statements about the Small savings schemes in India:

1. Interest rates on the Small Savings Schemes are decided by the Parliament.
2. Deposits under the Small savings schemes are credited to the Consolidated Fund of India.
3. Funds availed through the small savings schemes can be invested in the government securities.

Which of the above given statements is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) None of the above

44. Recently announced in the Union Budget 2025-26, the Prime Minister Dhan-Dhaanya Krishi Yojana aims to:

(a) give impetus to the food processing sector in the economy.
(b) promote crop diversification and sustainable agriculture practices in identified districts.
(c) provide direct income support to organic farmers for various backward linkage requirements in Organic farming.
(d) fight the menace of stubble burning by encouraging farmers to sell their stubble to biomass plants at fixed prices.

45. Which among the following best describes the "Golden Rule" in public finance?

(a) Government's capital expenditure should be more than revenue expenditure.
(b) Government should borrow only to finance the capital formation and not to fund current spending.
(c) Government debt should not be more than 50% of its country's GDP.
(d) The government should maintain strict adherence to the fiscal deficit target at all times.

46. Consider the following statements about a 'Cut Motion':

It is a type of parliamentary motion moved in Lok Sabha during the voting for demand for grant while enacting the budget. If the motion is passed, the budgetary demand will be reduced by Rs 100. It is proposed specifically to ventilate a specific grievance that falls under the jurisdiction of the Government of India.

The above statements describe which one of the following types of cut motion?

(a) Policy cut motion
(b) Economic cut motion
(c) Token cut motion
(d) None of the Above

47. With reference to the Prime Minister's National Relief Fund (PMNRF), consider the following statements:

1. The disbursement of the funds out of PMNRF is made at the discretion of the Prime Minister.
2. It is audited by the Comptroller and Auditor General of India (CAG).
3. Not all the contributions towards PMNRF are exempt from Income Tax.

Which of the above given statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) None of the above

48. With reference to Economic growth, which of the following statements best describes the concept of 'Fiscal drag'?

(a) A situation where interest on previous loans is increasing year by year.
(b) A situation where inflation or income growth moves taxpayers into higher tax brackets.
(c) A situation where a combination of tax increases and spending cuts are scheduled to take place automatically.
(d) A situation where the government increases spending to boost economic growth and tries to increase employment levels.

49. The Budget of the government of India is broadly categorized under Revenue and Capital expenditure. In this context consider the following:

1. Construction of highways
2. Salaries for government employees
3. Pension for government employees
4. Food subsidy
5. Investment in public sector enterprises for the acquisition of fixed assets

How many of the above are part of the capital expenditure of the Government of India under budget?

(a) Only two
(b) Only three
(c) Only four
(d) All five

50. Consider the following:

1. Provident Funds
2. Small Savings
3. Post Office Deposits
4. Remittances
5. Judicial Deposits

The proceeds from how many of the above are accounted under the Public Accounts of India?

(a) Only two
(b) Only three
(c) Only four
(d) All five

51. Consider the following statements:

Statement-I- The Economic Survey is prepared by the Chief Economic Adviser (CEA) annually.

Statement-II - Article 112 provides for the submission of the annual financial statement every year.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

52. Consider the following functions:

1. Responsible for the preparation of the budget.
2. Announces the interest rates of small saving schemes.
3. Manages the internal and external aspects of the economic policies and programs of the country.

Which department of the Government of India is responsible for the above-given functions?

(a) Department of Economic Affairs
(b) Department of Expenditure
(c) Department of Financial Services
(d) Department of Revenue

53. With reference to recommendations made by 15th Finance Commission, consider the following statements:

1. It increased the share of states in the central divisible pool of taxes from 32 to 42 percent.
2. Population was given the highest weightage under horizontal devolution of taxes.
3. It recommended sector specific grants for nutrition and pre-primary education.
4. It recommended the constitution of a dedicated modernization fund for Defense and Internal Security.

Which of the above statements are correct?

(a) 1 and 2
(b) 2 and 3
(c) 1 and 4
(d) 3 and 4

54. With reference to Interim Budget and Vote on Account in India, consider the following statements:

1. An Interim Budget is mentioned in the constitution while Vote on account is not.
2. An Interim Budget includes both expenditure and receipts while a Vote on account only deals with the expenditure.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

55. Consider the following statements about the Ways and Means Advances (WMA) of the Reserve Bank of India (RBI):

1. Both central and state governments are eligible to avail funds under the scheme
2. Funds availed by the government under the WMA mechanism are primarily to fund long term developmental projects.
3. The limits of WMAs are decided by the RBI.
4. The interest charged on WMA is generally kept lower than the reverse repo rate.

Which of the statements given above are correct?

(a) 1, 3 and 4
(b) 1, 2 and 3
(c) 2 and 3 only
(d) 1 and 3 only

56. With reference to National Financial Reporting Authority (NFRA) consider the following statements:

1. It is a statutory body established under the provisions of the International Financial Services Centers Authority Act.
2. Chairperson of the Securities and Exchange Board of India (SEBI) is its ex-officio chairperson.
3. It monitors and enforces compliance with accounting standards and auditing standards of companies.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 and 3
(c) 2 and 3
(d) 1 and 2

57. Consider the following :

1. Fiscal deficit
2. Primary deficit
3. Effective revenue deficit
4. Revenue deficit
5. Monetized deficit

How many of the above deficits are part of deficit statistics presented every year in India's annual budget?

(a) Only two
(b) Only three
(c) Only four
(d) All five

58. Consider the following statements with regard to Union budget:

Statement I: Revenue deficit of the Union Government is usually greater than effective revenue deficit.

Statement II: Effective revenue deficit does not include any type of grants given to the states and the Union territories.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct, and Statement II is the correct explanation for Statement I
(b) Both Statement I and Statement-II are correct and Statement II is not the correct explanation for Statement I
(c) Statement I is correct, but Statement II is incorrect
(d) Statement I is incorrect, but Statement II is correct

59. With reference to Off budget borrowings of union government, consider the following statements:

Statement-I: Off-budget borrowings are not reflected in annual budget document.

Statement-II: Off-Budget Borrowings are loans raised by Public Sector Undertakings (PSUs) and other government agencies.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct, and Statement-II is the correct explanation of Statement-I.
(b) Both Statement-I and Statement-II are correct, but Statement-II is not the correct explanation of Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

60. Which one of the following best describes the concept of 'Effective Capital Expenditure'?

(a) It's the money a company spends on capital acquisition.
(b) It's the difference between a government's capital expenditure and grants for creating capital assets.
(c) It's a measure of how efficiently a government spends money on capital projects.
(d) It's the sum of a government's capital expenditure and grants for creating capital assets.

61. In the context of Indian Economy, consider the following items:

1. Treasury Bills
2. Special securities issued against small savings
3. Securities issued to International Financial Institutions
4. Government-dated securities

How many of the above items are marketable debt under the component internal public debt?

(a) Only one
(b) Only two
(c) Only three
(d) All four

62. With reference to Public Debt of Union government of India, consider the following statements:

1. It refers to the total liabilities owed by the government, including both borrowings from domestic and external sources.
2. India's 'Internal debt and other liabilities' is more than 90 percent of total public debt.
3. The Union government's total debt as a percentage of GDP has continuously increased between the Financial Year 2020-21 and 2023-24.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 only
(c) 1 and 3 only
(d) 1,2 and 3

63. In the context of fiscal policy, a negative 'Interest Rate Growth Rate Differential (IRGD)' likely indicates:

(a) Low government debt sustainability
(b) High government debt sustainability
(c) High fiscal deficit of the government
(d) Low fiscal deficit of the government

64. Consider the following sectors:

1. Defence
2. Education
3. Health
4. Energy

Arrange the above sectors in descending order based on the allocation made to them under the expenditures proposed as per Union Budget 2025-26?

(a) 1, 2, 3, 4
(b) 1, 4, 2, 3
(c) 4, 1, 2, 3
(d) 4, 3, 1, 2

65. In the context of economics, the term 'Fiscal Neutrality' refers to a situation where:

(a) both fiscal and revenue deficits of the governments are zero.
(b) the adverse impacts of external events on the domestic economy is reduced.
(c) taxation and government spending do not have a net effect on the overall demand in the economy.
(d) there is no crowding-out effect in the economy due to government borrowing.

66. Consider the following types of payments by the Government of India:

1. Pensions given to old age people.
2. Education grants.
3. Grants-in-aid provided to the state governments.
4. Bailout provided to a company facing a potential bankruptcy.

How many of the above are commonly considered examples of 'transfer payments'?

(a) Only one
(b) Only two
(c) Only three
(d) All four

67. Consider the following:

1. Salaries of Union government employees
2. Interest payments on the loans taken by the Union government
3. Loans by the Union Government to state governments

How many of the above are part of committed expenditures of the Union Government of India?

(a) Only one
(b) Only two
(c) All three
(d) None

68. In context to Indian economy, consider the following statements:

Statement I: The Reserve Bank of India is not generally allowed to purchase the primary issues of Central Government Securities.

Statement II: The Fiscal Responsibility and Budget Management (FRBM) Act of 2003 prohibits the monetization of government deficit during normal circumstances.

Which one of the following is correct in respect of the statements given above?

(a) Both statement -I and statement -II are correct and statement -II is the correct explanation for statement -I.
(b) Both statement -I and statement -II are correct and statement -II is not the correct explanation for statement -I.
(c) Statement -I is correct but statement -II is incorrect.
(d) Statement -I is incorrect but statement -II is correct.

69. Consider the following pairs:

Type of Budget	Description
1. Zero Based Budget (ZBB)	Preparing the budget without any pre committed expenses.
2. Performance Budget	Preparation of budget based on the measurable output of the allocated expenditures
3. Outcome Budget	Budget that assesses both measurable output and qualitative outcome of an allocated expenditure

How many of the pairs given above are correct?

(a) Only one
(b) Only two
(c) All three
(d) None

70. Which of the following are included in the public debt of the Union Government?

1. Treasury bills issued by Union Government
2. Liabilities of National small saving funds
3. Ways and means advances to Union Government
4. Securities issued to the international financial institutions by the Union Government.
5. Liabilities of provident funds

Select the correct answer using the code given below:

(a) 1, 2 and 4 only
(b) 3, 4 and 5 only
(c) 1, 2 and 3 only
(d) 1, 3 and 4 only

71. Consider the following statements with reference to external borrowings in India:

1. External debt has to be repaid in the currency in which it was borrowed.
2. 'General Government' external debt is the largest component of the total external debt of India.
3. External debt denominated in Indian Rupee is the largest component of India's total external debt.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) 1 and 2 only
(d) 2 and 3 only

72. With reference to the Ways and Means Advances (WMAs), consider the following statements:

1. They are short-term loan facilities provided by the RBI to the government to meet temporary mismatches in cash flow.
2. Advances given by RBI to the government through WMA must be repaid within 14 days.
3. The interest rate on WMAs is linked to the repo rate set by the RBI.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

73. Which of the following best describes the concept of the "Impossible Trinity" in economics?

(a) A country cannot simultaneously have free trade, price stability, and full employment.
(b) A country cannot simultaneously maintain fiscal stability, economic growth, and a fixed exchange rate.
(c) A country cannot simultaneously have a fixed exchange rate, free flow of capital across its borders, and an independent monetary policy.
(d) A country cannot simultaneously achieve economic equality, trade surplus, and low inflation.

74. Consider the following policy measures:

1. Reducing subsidies on non-essential goods.
2. Implementing tax reforms to widen the tax base and enhance tax compliance.
3. Increasing public expenditure on welfare schemes.
4. Introducing austerity measures, such as reducing administrative expenses.

How many of the above measures will help in promoting fiscal consolidation by the Union Government of India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

75. Consider the following statements regarding counter-cyclical fiscal policy during an economic boom:

Statement I: Counter-cyclical fiscal policy aims to mitigate inflationary pressures and excessive demand during the boom phase of an economy.

Statement II: Reducing government capital expenditure helps in moderating aggregate demand and preventing overheating of the economy during a boom.

Which one of the following is correct in respect of the statements given above?

(a) Both statement -I and statement -II are correct and statement -II is the correct explanation for statement -I.
(b) Both statement -I and statement -II are correct and statement -II is not the correct explanation for statement -I.
(c) Statement -I is correct but statement -II is incorrect.
(d) Statement -I is incorrect but statement -II is correct.

76. Which of the following documents are mandatory to be laid before the Parliament by the Union Government along with the Annual Financial Statement, as per the Fiscal Responsibility and Budget Management Act, 2003 ?

1. The Medium-term Fiscal Policy Statement
2. The Fiscal Policy Strategy Statement
3. The Medium Term Expenditure Framework Statement
4. The Macroeconomic Framework Statement

Select the correct answer using the code given below:

(a) 1, 2 and 4 only
(b) 1 and 2 only
(c) 2, 3 and 4 only
(d) 1, 2, 3 and 4

77. In the context of public finance, the term 'fiscal stimulus' most appropriately refers to:

(a) policies adopted by the government to decrease the accumulation of its total debt.
(b) increase in economic activity due to an increase in government spending and reduction in taxes.
(c) central bank buying government securities from banks and other institutions to stimulate money in the market.
(d) It is an affirmative action by the government to pursue its policy of financial inclusion.

78. With reference to Indian economy, consider the following statements:

Statement I: When an economy goes through a recession, the fiscal deficit of the government tends to widen, while during a boom, it tends to narrow.

Statement II: The government's tax revenue generally declines during a recession and increases during a boom period.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct, and Statement II is the correct explanation for Statement I
(b) Both Statement I and Statement-II are correct and Statement II is not the correct explanation for Statement I
(c) Statement I is correct, but Statement II is incorrect
(d) Statement I is incorrect, but Statement II is correct

79. Consider the following statements about Surplus Budget, in the context of public finances in India:

1. A surplus budget is a situation in which incomes/receipts of the Government are higher than its expenditures.
2. A surplus budget will always lead to a rise of interest rates in the economy, thus increasing costs of borrowings.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

80. Consider the following statements with regards to Zero Based Budgeting:
1. It is a method of budgeting in which all expenses must be justified at the beginning of each financial year.
2. It allows the unspent money allocated to a particular ministry to be carried forward in the next financial year.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

81. During the discussion on the Demands for Grants, cut motions can be moved to reduce the amount of demand. In this context, consider the following pairs:

Cut Motion	Description
1. Policy cut	It reduces the amount of the demand by Rs 100.
2. Economy cut	It states that the amount of the demand be reduced by a specified amount.
3. Token cut	It represents the disapproval of the policy underlying the demand.

How many of the above given pairs are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

82. Consider the following statements regarding Public Debt Management in India:
1. Public Debt in India includes both Internal and External Debt incurred by the Central Government.
2. In India, Public Debt Management Agency (PDMA) is solely responsible for managing internal public debt of Central Government currently.
3. Reserve Bank of India is solely responsible for managing External debt of Central Government.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1,2 and 3

83. Which of the options given below correctly explains the term 'Fiscal marksmanship'?
(a) It is the difference between the Governments' budgetary expenditures and the revenue receipts.
(b) It refers to the accuracy of the government's forecast of fiscal parameters.
(c) It refers to the sharing of tax revenues by the Union government with the states as per the spirit of fiscal federalism.
(d) It is the deflationary effect of a progressive taxation system on a country's economy.

84. Consider the following statements about Monetised Deficit in the context of public finances in India:
1. Monetised deficit is the process where the central bank helps government to cover its fiscal deficit.
2. RBI is under legal compulsion to purchase the government issued securities to fulfil the fiscal deficit targets of the government.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

85. Consider the following statements about deficit financing, in the context of Budgeting in India:
1. Deficit financing may increase income inequalities in the economy.
2. Sustained deficit financing by the central government may lead to a situation of inflation in the country.
3. State governments can finance their deficits by issuing the treasury bills.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 2 and 3 only

86. Which of the following can be considered as a part of the revenue expenditure by the government?

1. Interest payment by the government on the internal and external loans.
2. Loan repayment by the government.
3. Subsidies forwarded to all sectors by the government.
4. Grants given by the government to Sri Lanka to get it out of its economic crisis.
5. Centre's loan to a state to increase the coverage of Digital India Mission initiative.

Select the correct option from the codes given below:

(a) 1, 2 and 5 only
(b) 3 and 4 only
(c) 2, 4 and 5 only
(d) 1, 3 and 4 only

87. With reference to the Medium-Term Fiscal Policy Statement, consider the following statements:

1. It sets three-year rolling target for specific fiscal indicators in relation to GDP.
2. It is presented as part of General Budget by the Union government.
3. It is mandated by the Fiscal Responsibility and Budget Management Act, 2003.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

88. Which of the following statements are correct regarding of outcome-based budgeting?

1. It is very simple method of budgeting and does not require much technical skills.
2. It was first introduced in India in 1969.
3. Compared to traditional methods, it will reduce the cost of budgeting.

Select the correct answer using the code given below:

(a) 2 only
(b) 1 and 3 only
(c) 3 only
(d) None of the above

89. Consider the following statements about the Capital receipts in the context of public finances in India:

1. The Capital receipts do not increase the financial liabilities on the government.
2. External grants are considered as Capital receipts.

Which of the statements given above is/are ***incorrect***?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

90. Consider the following statements about Effective Revenue deficit.

1. Effective revenue deficit is the difference between fiscal deficit and the interest liabilities for that year of the government.
2. The Effective Revenue Deficit was introduced in the Union budget on the recommendation of the Rangarajan committee on public expenditure.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

91. With reference to fiscal deficit in India, Consider the following statements:

1. There can be a Fiscal Deficit without Revenue deficit in the economy.
2. Fiscal deficit reflects the borrowing requirements of the government for financing the expenditure.

Which of the above given statements is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

92. With reference to Fiscal Responsibility and Budget Management (FRBM) Act Review Committee, consider the following recommendations:

1. The FRBM act mandates to form a Review Committee every five years from the enactment of the act.
2. The committee recommended the combined debt-to-GDP ratio of the Centre and states should be brought down to around 60 per cent.
3. The committee recommended setting up an independent Fiscal Council.

Which of the statements given above is/are correct?
(a) 3 only
(b) 2 and 3 only
(c) 2 only
(d) 1, 2 and 3

93. Consider the following statements regarding fiscal policy of government of India:
1. One of the objectives of the fiscal policy is to control inflation.
2. During expansionary fiscal policy, the government decreases spending and increases taxes.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

94. Regarding the transfer payments, which of the following statements is incorrect?
(a) It is the one-way payment of money made by the government to the people.
(b) These payments are aimed at redistribution of income.
(c) Social security payment is a type of transfer payment.
(d) Subsidies paid to exporters are considered as transfer payments.

2.2. Taxation in India

95. Tax Buoyancy is the responsiveness of tax revenue growth to the changes in the -
(a) Gross Domestic Product of a country.
(b) tax rates in a country.
(c) tax base in a country.
(d) rate of inflation in a country.

96. Which of the following statements is correct with reference to the 'tax expenditure'?
(a) It is the tax revenue loss borne by the government due to the existence of a large informal sector.
(b) It is the revenue foregone by the government due to special tax provisions, like exemptions and deductions.
(c) It is the tax revenue lost by the government exchequer due to evasion by companies.
(d) It is the expenditure incurred by the government to collect both direct and indirect taxes.

97. Consider the following pairs:

Term	Description
1. Tax inversion	A practice when a company sells assets to another for the sake of generating higher sales and later buying back.
2. Round tripping	A practice where company shifts its headquarter/legal residence in a low tax country.
3. Base erosion and profit shifting	A practice when multinational companies (MNCs) shift their profits from higher-tax countries to low or no tax countries.

How many pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

98. Consider the following:
1. Carbon tax
2. Tobacco tax
3. Fuel cess

How many of the above are examples of Pigouvian tax?
(a) Only one
(b) Only two
(c) All three
(d) None

99. Consider the following statements regarding the Goods and Services Tax (GST) Council:
1. The Union Minister of State in charge of Revenue serves as the ex-officio Vice-Chairman of the council.
2. It is responsible for recommending the date on which Goods and Services Tax (GST) shall be levied on aviation turbine fuel.
3. It shall establish a mechanism to adjudicate any dispute between two or more states arising out of the recommendations of the council.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

100. Which of the following might not be a possible impact of tax rationalization?
(a) It may reduce the incidence of tax evasion and improve revenue collection.
(b) It will increase the administrative burden on businesses and individuals in the long term.
(c) It may lead to redistribution of the tax burden among different sections of people.
(d) It may cause short-term disruptions to economic activities.

101. Consider the following statements:

Statement-I: Value Added Tax (VAT) eliminates cascading by providing for set off for taxes paid on inputs and only taxing value addition.

Statement-II: The Value Added Tax is a single point tax on sale of the product.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

102. Which of the following correctly describes the difference between Tax Collected at Source (TCS) and Tax Deducted at Source (TDS)?
1. While TDS is applicable mainly on the various income sources of individuals, TCS is applicable primarily on the sale of certain goods and services.
2. The individual making the payment is responsible for deducting TCS, whereas in TDS the individual receiving the payment is responsible for collecting TDS.
3. TDS covers payments such as rent, salaries, interest whereas TCS covers the sale of goods such as, forest products, minerals and others.

Which of the statements given above are correct?
(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

103. Consider the following statements with reference to Inverted Duty Structure under GST mechanism in India:

Statement - I: An inverted duty structure results in the accumulation of Input Tax Credit (ITC).

Statement - II: The inverted duty structure occurs when the tax on raw materials is higher than the tax on finished goods.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I
(b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I
(c) Statement-I is correct, but Statement-II is incorrect
(d) Statement-I is incorrect, but Statement-II is correct

104. Consider the following statements with reference to Arm's length principle of pricing:
1. It is a pricing mechanism under which related entities of a multinational company can set their own prices based on mutual agreements, even if they differ from market rates.
2. It is used by Tax authorities as one of the tools to curb tax evasion practises of Multinational Companies (MNCs).
3. At present, India has no law which determines the Arm's length pricing.

Which of the statements given above is/are correct?
(a) 1 and 2
(b) 2 only
(c) 2 and 3
(d) 1 and 3

105. Consider the following statements:

Statement-I: The proportional income tax is considered as an automatic stabilizer of the economy.

Statement-II: Proportional income tax makes the consumer spending less sensitive to fluctuations in the Gross Domestic Product (GDP).

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-1 is correct Statement-II is incorrect.
(d) Statement-1 is incorrect but Statement-II is correct.

106. This curve shows the relationship between tax rates and tax revenue. It suggests that the tax revenue increases with increasing tax rates up to a certain point. Beyond this point, further increases in tax rates may reduce tax revenue.

Which of the following curves is described in the above passage?

(a) Engel Curve
(b) Kuznets Curve
(c) Lorenz Curve
(d) Laffer Curve

107. Which of the following best describes the concept of "forward shifting of tax"?

(a) When the government directly transfers the tax burden to the producer by increasing the tax rate.
(b) When the tax burden is shifted from the consumer to the seller or producer without any change in the price.
(c) When the seller passes the tax burden onto the consumer by increasing the prices.
(d) When the producer shifts the tax burden to the workers through reduced wages.

108. Consider the following taxes/duties:

1. Tax on electricity generation
2. Stamp duties on sale of land
3. Taxes on entertainment and amusement
4. Taxes on Agricultural Income
5. Taxes on the sale or purchase of newspapers

How many of the above are levied by the State Governments in India?

(a) Only two
(b) Only three
(c) Only four
(d) All five

109. Consider the following statements regarding indirect taxes:

1. Increase in indirect taxes discourages savings by increasing the cost of essential commodities.
2. They can be easily evaded compared to direct taxes.

Which of the above is/ are demerits of indirect taxes?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

110. With reference to cess and surcharge levied by the Union government in India consider the following statements:

1. Proceeds from all type of cesses collected are deposited in Public Account of India.
2. Proceeds from the surcharge can be used for any public purpose.
3. Proceeds from both cess and surcharges generally do not form part of the divisible pool of taxes that the Union government must share with the States.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

111. Which of the following measures is least likely to be adopted by the Government of India to enhance tax compliance in the country?

(a) Encouraging cashless transactions.
(b) Introduction of simplified tax filing process.
(c) Raising the tax rate.
(d) Introducing legal provisions to curb money laundering activities.

112. With reference to Capital Gains Tax in India, consider the following statements:

1. It is governed by the provisions of the Central Goods and Services Tax Act, 2017.
2. It is applicable to profits arising from the sale of both movable and immovable assets.
3. Short-term capital gains tax is levied on the proceeds from the sale of assets held for less than 10 years.

Which of the statements given above is/are correct?
(a) 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

113. Consider the following items:
1. Solar panels
2. Alcoholic liquor for human consumption
3. Surgical instruments
4. Aviation turbine fuel
5. Tobacco products

How many of the above items are exempted from/not covered under the Goods and Services Tax (GST)?
(a) Only two
(b) Only three
(c) Only four
(d) All five

114. With reference to the E-way bill under GST, which of the following statements is/are correct?
1. An E-way bill shall have a limited time validity based on the distance the goods have to be transported.
2. Transportation of certain goods, such as jewelry and natural gas, are exempt from the requirement of an E-way bill.
3. An E-way bill is not required for any goods being transported within the same state.

Select the correct answer using the code given below:
(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

115. Consider the following statements regarding the Composition Scheme under GST:
1. Businesses selling goods with an annual turnover of up to ₹5 crore can opt for the GST Composition Scheme.
2. Beneficiaries under the Composition Scheme are not authorized to collect GST from their customers or to issue tax invoice.
3. Beneficiaries under the Composition Scheme cannot claim input tax credit (ITC) on their purchases.
4. Beneficiaries under the Composition Scheme are required to file GST returns on a monthly basis.

Which of the statements given above are correct?
(a) 1, 2 and 3
(b) 2, 3 and 4
(c) 2 and 3 only
(d) 1 and 4 only

116. Consider the following statements:

Statement-I: India's tax-to-GDP ratio is lower than the average tax-to-GDP ratio of Organisation of Economic Co-operation and Development (OECD) countries.

Statement-II: In India the direct to indirect tax ratio is significantly low when compared to almost all Organisation of Economic Co-operation and Development (OECD) countries.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

117. Consider the following pairs related to terms often used in the context of economy:

Term	Meaning
1. Treaty shopping	Get indirect access to the benefits of a tax treaty between two jurisdictions by a person who is not a resident of either of those jurisdictions.
2. Round tripping	Routing investments through foreign entities back into the home country to benefit from tax advantages.
3. Base Erosion and Profit shifting	Tax avoidance strategy by multinational companies to shift profits to low-tax jurisdictions.

How many of the pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

118. Which of the following best describes the term tax buoyancy?

(a) The proportion of direct taxes collected compared to indirect taxes in the total tax revenue.
(b) The ability of the government to raise tax rates to increase revenue.
(c) The responsiveness of tax revenue growth to changes in Gross Domestic Product (GDP) of an economy.
(d) The tax exemptions given as a percentage of GDP.

119. Consider the following statements:

1. Tax elasticity refers to the change in tax revenue in response to change in tax rate.
2. High tax elasticity is desirable for the higher economic growth in a country.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

120. Consider the following pairs:

Types of Custom Dutics	Imposed when
1. Countervailing Duty	Imported goods are manufactured using carbon intensive methods.
2. Anti-dumping Duty	Imported products enjoy unfair advantages due to export subsidies in the country of origin.
3. Safeguard Duty	Imports of a particular product increase unexpectedly and cause or threaten to cause serious injury to domestic industries.

How many of the above given pairs are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

121. In case of inter-state trade under the Goods and Services Tax (GST) regime, the tax is levied in the state:

(a) where goods are consumed, but the revenue is shared between the state of origin and the Central government.
(b) where goods are produced, but the revenue is transferred to the state where goods are consumed.
(c) where goods are consumed, but the revenue is shared between the state of origin and the state of consumption.
(d) where goods are consumed, and the revenue is shared between the state of consumption and the Central Government.

122. With reference to Indirect taxes in India, consider the following statements:

Statement I: In India, Indirect taxes are degressive in nature.

Statement II: With respect to Indirect taxes, low-income holders pay a higher percentage of their income as tax than high-income earners.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct, and Statement II is the correct explanation for Statement I
(b) Both Statement I and Statement-II are correct and Statement II is not the correct explanation for Statement I
(c) Statement I is correct, but Statement II is incorrect
(d) Statement I is incorrect, but Statement II is correct

123. Consider the following:

Tax	Description
1. Withholding Tax	Tax deducted at the source from salaries of employees, by the employers as a part of income tax liability of the employees.
2. Tobin Tax	Tax levied on foreign exchange transactions.
3. Angel Tax	Tax imposed on incomes of high net-worth individuals who generally invest in start-up companies

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

124. Which of the following statements correctly explains the term "Drip Pricing" sometimes seen in the news?

(a) A technique where a country or company sells a product at a lower price in a foreign market than in its domestic market.
(b) A business strategy that involves setting final prices of products unrealistically low to eliminate competition and gain market share.
(c) Pricing the product based on various external factors, including current market demand, the season, supply changes and price bounding.
(d) A pricing technique in which firms advertise only part of a product's price and reveal other charges later as the customer goes through the buying process.

125. With reference to the Goods and Service Tax (GST), the reverse charge mechanism is best associated with:

(a) the liability to pay tax is on the recipient of the supply of goods or services.
(b) the liability to pay tax is on the supplier of goods and services.
(c) the liability to pay tax is shared equally between the supplier and the recipient.
(d) the liability to pay tax is reversed by the government to the supplier who is a foreign entity.

126. With reference to Securities Transaction Tax, consider the following statements:

1. It is the direct tax levied on both purchase and sale of the securities in the capital market.
2. It is levied only when the investor makes profits from the sale of financial assets.
3. It is not applicable to the off-market securities transactions.

Which of the statements given above is/are correct?

(a) 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

127. In the context of the taxation system in India, which of the following best describes the nature of personal income tax in India?

(a) Progressive tax
(b) Regressive tax
(c) Proportional tax
(d) Digressive tax

128. In the framework of India's taxation system, Goods and Services Tax (GST) plays a pivotal role. In this context, consider the following goods/items:

1. Table Salt
2. Human Blood and its components
3. Sealed Mineral water
4. Pre-packed and labelled Jaggery
5. Loosely sold Curd

How many of the above goods/items are exempted under GST?

(a) Only two
(b) Only three
(c) Only four
(d) All five

129. With reference to Capital Gains Tax, consider the following statements:

1. It can be imposed on the profits from the transfer of patent and trademark rights.
2. Long term capital gains tax rate is generally higher than short term capital gains tax rate in India.
3. It is applicable exclusively to capital gains realized by Indian citizens.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) None of the above

130. Consider the following statements about Goods and Service Tax (GST) in India:

Statement I: GST is not applied at each stage of value addition, but only on the end product.

Statement II: GST is a destination-based tax.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct, and Statement II is the correct explanation for Statement I.
(b) Both Statement I and Statement II are correct, but Statement II is not the correct explanation for Statement I.
(c) Statement I is correct, but Statement II is incorrect.
(d) Statement I is incorrect, but Statement II is correct.

131. Consider the following:

1. Presence of a large informal sector
2. Low per capita income
3. Predominance of a cash-based economy
4. High levels of tax evasion and avoidance

How many of the above contribute to low Tax to GDP ratio in India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

132. In context of Cess , consider the following statements:

1. The proceeds from the cess levied shall be credited to the Consolidated Fund of India
2. Its proceeds have to be used for a specific purpose.
3. It is imposed only on indirect taxes in India.
4. Article 270 of the Constitution of India allows cess to be excluded from the purview of the divisible pool of taxes that the Union government must share with the States.

Which of the above statements are correct?

(a) 1, 2 and 3
(b) 2, 3 and 4
(c) 1, 2 and 4
(d) 1, 3 and 4

133. With reference to various types of taxes, consider the following pairs:

Tax	Description
1. Ad- Valorem tax	Tax on value of goods and services.
2. Pigouvian Tax	Tax on market transaction that creates a negative externality
3. Tobin Tax	Tax on Spot Exchange Transactions.

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

134. With reference to Central Board of Direct Taxes, consider the following statements:

1. It is a statutory body established under the Income Tax Act of 1961.
2. It oversees the matter relating to the impositions and collection of all direct taxes in India levied by the central government.
3. The cost inflation index is released by the Central Board of Direct Taxes.

Which of the above given statements is/are correct?

(a) 2 only
(b) 2 and 3 only
(c) 1, 2 and 3
(d) 1 and 2 only

135. Consider the following statements:

Statement-I: India follows the progressive tax system for individual income taxpayers.

Statement-II: Progressive taxation can help in achieving the goal of reducing income inequality in India.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct, and Statement-II is the correct explanation of Statement-I
(b) Both Statement-I and Statement-II are correct, and Statement-II is not the correct explanation of Statement-I
(c) Statement-I is correct, but Statement-II is incorrect
(d) Statement-I is incorrect, but Statement-II is correct

136. Which of the following statements is correct regarding the impact of changes in tax rates and government spending on the money supply and the aggregate demand?

(a) Increased tax rates and increased government spending always result in an increase in the money supply and the aggregate demand.
(b) Decreased tax rates and reduced government spending always lead to a decrease in the money supply and the aggregate demand.
(c) An increase in government expenditure and a decrease in tax rates generally leads to an increase in the money supply and the aggregate demand.
(d) There is minimal impact of changes in government expenditure and tax rates on the money supply and aggregate demand.

137. With reference to indicators measuring tax efficiency in India, consider the following statements:

1. Tax buoyancy refers to the change in the total amount of revenue generated due to change in the tax rate.
2. Tax elasticity refers to the change in government revenue with respect to change in GDP.
3. Higher tax buoyancy may decrease the interest rates for borrowing from the market.

4. High tax elasticity is desirable for the higher economic growth in a country.

Which of the statements given above are correct?
(a) 1 and 2
(b) 3 and 4
(c) 1 and 4
(d) 2 and 3

138. Consider the following items:
1. Molasses.
2. Newspapers.
3. Medicinal plants.
4. Processed Millet flour.

How many of the above items are exempted from the GST regime?
(a) Only one
(b) Only two
(c) Only three
(d) All four

139. With reference to Commodities Transaction Tax in India, consider the following statements:
1. It is a type of indirect tax.
2. It is applicable to farmers engaged in the sale of agricultural products.
3. It is an ad valorem tax levied on the value of transactions.

Which of the statements given above is/are correct?
(a) 3 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

140. To generate revenue, the Government levies a variety of taxes and duties on crude oil at different stages, ultimately influencing the retail price of petrol. In this context, consider the following type of taxes/duties:
1. Customs duty.
2. Central Excise duty.
3. Goods and Services Tax (GST).
4. Clean Energy Cess.

How many of the above directly influences the retail price of petrol in India?
(a) Only one
(b) Only two
(c) Only three
(d) All four

141. With reference to the Long-Term Capital Gains (LTCG) tax, consider the following statements:
1. An individual making a profit from the sale of a residential property held for more than 2 years.
2. A profit made from the sale of movable property such as furniture held for personal use by an individual.
3. A profit made by an individual from the sale of raw materials held for business purposes.

How many of the above situations can be considered eligible for levying LTCG tax in India?
(a) Only one
(b) Only two
(c) All three
(d) None

142. In the context of Indian Economy, which of the following statements best describes the term "Cascading effect of Taxes"?
(a) It is a situation where an increase in direct taxes will have a negative impact on demand for goods and services.
(b) It is a situation where taxes are levied at each stage of production or distribution resulting in the price rise of the product.
(c) It is a situation where the rise in a particular tax will also increase other similar taxes.
(d) It is a situation where tax imposition on products leads to higher levels of inflation in economy.

143. With reference to the tax authorities in India, Consider the following statements:
1. Directorate of revenue intelligence works under the Central Board of Indirect taxes and Customs (CBIC).
2. Central Board of Direct taxes is a non-statutory body.
3. Proceedings against Benami transactions can be initiated by an officer of rank Assistant Commissioner of Income tax.

Which of the statements given above is/are correct?
(a) 3 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

144. Consider the following statements regarding Value Added Tax (VAT):
1. It is a single point tax levied during the sale of a product.

2. After the introduction of the Goods and Services Tax, Vat is completely abolished in India.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

145. Consider the following statements regarding taxation system:
1. Horizontal equity means individuals having the same income should pay the same amount in taxes.
2. The proportional taxation method refers to higher rates of tax for individuals with higher income levels.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

146. Consider the following statements regarding Goods and Services Tax (GST) in India:
1. There has been a consistent rise in GST collections since its introduction in 2017.
2. It is a destination-based tax on consumption of goods and services.
3. Harmonized System Nomenclature (HSN) for goods used under GST is developed by the World Trade Organization.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

147. Consider the following statements regarding commodities transaction tax (CTT) and securities transaction tax (STT) in India:
1. In India CTT is levied on all agricultural and non-agricultural commodities derivative contracts.
2. CTT primarily levied to discourage excessive speculation in commodities market.
3. STT is used to control the evasion of tax on capital gains.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

148. Consider the following statements regarding various types of taxes:
1. Minimum Alternate Tax is levied to bring into the tax net certain 'zero tax companies.'
2. Alternate minimum tax is levied on both corporate as well as non-corporate entities.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

149. Which among the following will fall under capital assets for the purpose of capital gains tax in India?
1. Mutual funds
2. Zero coupon bonds
3. Preference Shares
4. Sale of Paintings in the market

Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 2, and 4 only
(d) 1 ,2,3 and 4

150. With reference to taxes and their impact on economy, consider the following statements:
1. Presence of parallel economy is one of the main reasons for the low levels of tax collection in India.
2. A progressive tax has the potential to reduce income inequality.
3. Laffer curve demonstrates that increasing tax rate beyond optimum tax rate results in decreasing of tax revenues.

Which of the following statements is/are correct?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 Only
(d) 1, 2 and 3

151. A Company named 'Y' is registered in Australia and is providing digital services like advertisements, and e-commerce platform in India without any physical presence. Which of the taxes given below

would apply to the revenues of this company in India?

1. Corporate Tax
2. Income Tax
3. Equalization Levy
4. Excise Duty

Select the correct answer using the code given below.

(a) 1 and 4 only
(b) 3 only
(c) 2 and 3 only
(d) 1,2 and 4 only

152. Consider the following statements regarding the non-Debt receipts of Government of India:

1. The Union government's non-debt receipts comprise taxes, non-tax revenue receipts and non-debt capital receipts.
2. The Non-tax revenue receipts have been the largest component of non-Debt receipts of Government of India for last 5 years.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

153. Consider the following statements regarding the Central Board of Indirect Taxes and Customs (CBIC):

1. It comes under the Department of Economics Affairs, Ministry of Finance.
2. It administers matters relating to Customs, Central Excise and Narcotics, etc.
3. It is a statutory body established under the Central Boards of Revenue Act, 1963.

Which of the statements given above are correct?

(a) 1 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2, and 3

154. With reference to 'Directorate of Enforcement (ED)', consider the following statements:

1. It functions under the Department of Internal Security of the Ministry of Home Affairs.
2. It is mandated with investigation of offence of money laundering in the country.
3. Unlike the Central Bureau of Investigation (CBI), ED does not have power to carry out search and seizure.

Which of the statements given above is/are correct?

(a) 2 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) 1 only

SOLUTIONS

2.1. Fiscal Policy in India

1. Solution: (d)

Exp) Option d is the correct answer.

The equation **AD = C' + c(Y – T + TR') + I + G** represents the Aggregate Demand (AD) in an economy. It states the factors impacting aggregate demand.

1) **AD: Aggregate Demand** - This represents the total demand for goods and services in an economy at a given price level and over a specific period. It is the sum of all expenditures made by households, businesses, government, and net exports (exports - imports).
2) **C': Autonomous Consumption** - It is the amount of consumption that would occur even if there were no income.
3) **c: Marginal Propensity to Consume (MPC)** - This represents the fraction of an additional unit of income that households will spend on consumption. In the equation, it's multiplied by **(Y - T + TR'), which represents disposable income.**
4) **Y: Income** - This represents the total income generated in the economy.
5) **T: Taxes** - This represents the lump sum taxes paid which do not depend on income.
6) **TR': Transfer Payments** - These are government payments to households or individuals that are not in exchange for goods or services. Examples include social security, unemployment benefits, and welfare. It is assumed as a constant in the above equation.
7) **I: Investment** - This represents the total investment expenditure by businesses. It includes spending on capital goods, machinery, and infrastructure.
8) **G: Government Spending** - This represents the total government expenditure on goods and services.

Therefore, all the factors mentioned in the question affect the Aggregate demand.

2. Solution: (a)

Exp) Option a is the correct answer.

Sovereign borrowing means raising the money from foreign markets by issuing government bonds by the government/ central bank of a country.

Option a is correct. Global interest rates are generally on the lower side, so the government could tap the potential and allocate needed money for country's growth and development. Borrowing in dollars is expected to be cheaper, and hence, **bring down the interest** that the government pays on its debt.

Option b is incorrect. It may lead to the **rupee appreciating against the dollar**, at least in the short-run. When the bonds are sold and the dollars (or any other foreign currency for that matter) are brought back to India, they will have to be converted into rupees. This will push up the demand for rupees and eventually lead to the rupee appreciating in value against the dollar.

Option c is incorrect. In the short-term, an appreciating rupee will hurt India's exports. It will make **imports cheaper** and hurt domestic producers competing against them. The Government of India had launched the **"Make in India" scheme** to promote manufacturing in India. But with the appreciation of rupee, **imports will be cheaper** and it may impact the make in India initiative.

Option d is incorrect. Excessive levels of foreign debt can hamper countries' ability to invest in their economic future—whether it be via infrastructure, education, or health care—as their limited revenue goes to servicing their loans. This thwarts long-term economic growth.

The United Nations has also linked high levels of foreign debt and a government's dependency on foreign assistance to human rights abuses. Economic distress causes governments to cut social spending, and reduces the resources it has to enforce labour standards and human rights, the U.N. says.

3. Solution: (b)

Exp) Option b is the correct answer.

The budget is based on the principle of annuity, that is, the Parliament grants money to the government for one financial year. This leads to another rule "the rule of lapse". Under the 'Rule of Lapse' if the granted money for a particular service is lapsable and is not spent by the end of the financial year, then the balance for that particular service expires and returns to the Consolidated Fund of India. It facilitates effective financial control by Parliament as no reserve funds can be built without its authorization. However, the observance of this rule leads to a heavy rush of expenditure towards the close of the financial year. This is popularly called 'March Rush'.

4. Solution: (a)

Exp) Option a is the correct answer.

Transfer payments are **payments made by the government to individuals or businesses without requiring any goods or services in return.** They are a **way of redistributing income and wealth in society.**

Option a is correct- Government subsidy to farmers is an example of **transfer payments.** The government provides subsidies to farmers to help them **cover their costs and make a profit.** These subsidies can be in the form of direct cash payments, tax breaks, or price supports.

Option b is incorrect- NTPC is a government-owned company that is responsible for generating and distributing electricity in India. NTPC employees are **paid salaries by the company for their services.** So, this is not an example of transfer payments.

Option c is incorrect- When the government purchases land for the construction of a national highway, it enters into a **contractual agreement with the landowner. The government is paying the landowner for the land.** So, this is not an example of transfer payment.

Option d is incorrect- The government of India borrows money from the State Bank of India (SBI) and other financial institutions to finance its various programs and activities. The government pays **interest on these borrowings to the lenders. Interest is not the transfer payment, rather it is a factor payment.**

5. Solution: (b)

Exp) Option b is the correct answer.

Stabilizing the economy during a boom period means **taking steps to prevent the economy from overheating.** Overheating occurs when **aggregate demand is too high,** which can lead to inflation, asset bubbles, and other economic problems.

Statement 1 is correct- A proportional tax is a tax in which **everyone pays the same percentage of their income in taxes.** Increasing the proportional tax rate during a boom period can help to reduce aggregate demand and cool the economy. The most famous example of such a tax is GST-Goods and Services tax.

Statement 2 is incorrect- The repo rate is the interest rate at which the **central bank lends money to commercial banks.** Reducing the repo rate makes it **cheaper for commercial banks to borrow money,** which can **increase the money supply and aggregate demand.** This is not desirable during a boom period, when aggregate demand is already high.

Statement 3 is correct- Transfer payments are **government payments to individuals and households, such as unemployment benefits and Social Security payments.** Decreasing transfer payments during a boom period can help to reduce aggregate demand and cool the economy.

Statement 4 is incorrect- Exports may aid in rise in inflation in an economy. In case of Economy already under boom, the increase in exports will lead to scarcity of goods in the source country thus leading a condition where more people are chasing fewer goods, translating into Demand-Pull Inflation.

6. Solution: (a)

Exp) Option a is the correct answer.

Assertion (A) is true- Deficit financing of government promotes **inter generation transfer of current debt to future generation.** Deficit financing is a government spending policy in which the **government spends more money than it collects in revenue.**

Reason (R) is true, and (R) is the correct explanation of (A)- The government will need to **raise taxes in the future to repay the debt created due to previous borrowings.**

7. Solution: (c)

Exp) Option c is the correct answer.

Sovereign debt refers to the total debt accumulated by any government. Sovereign debt is also known as Government debt and government borrow money to finance the various expenses that they cannot meet through their regular tax revenues.

Option a is incorrect: Financial liability of the government, exclusively, against the residents of India is also the component of sovereign debt but **not the sole component of sovereign debt.** Apart from this, sovereign debt may also include government borrowing from Reserve Bank of India (RBI), external borrowing etc.

Option b is incorrect: Sovereign debt **only includes the financial liability of the government.** Financial **liability of the private company** irrespective of the source comes under the category of **non-sovereign debt.**

Option c is correct: It is true that Sovereign debt includes the **financial liability of the government alone, irrespective of the source** whether the government borrowed it from central bank, residents or from external agencies does not matter.

Option d is incorrect: Sovereign debt is the **debt owed by the Government to anyone irrespective of the currency.** Sovereign debt can be denominated in the domestic currency as well as foreign currency.

8. Solution: (a)

Exp) Option a is the correct answer.

Government borrowing is the process by which a government **raises money by issuing government securities to lenders.** This can be done through various instruments, such as issuing **Sovereign Bonds, G-Secs,T-Bills, Cash Management Bills, and Ways & Means Advances.**

Statement 1 is incorrect- Government debt can impact future generations' purchasing power. It can **increase inflation as increased borrowing expands the money supply,** diminishing the value of money for everyone, including future generations. Also, debt repayment often requires higher taxes, **reducing disposable income for future generations and weakening their purchasing power.**

Statement 2 is correct- When the government borrows money, it **needs to raise taxes to pay the interest on the debt.** Higher taxes can **reduce the disposable income of businesses** and **individuals,** which can lead to **lower investment and savings.** This can lead to a **decrease in capital formation,** which is the process of increasing the stock of capital goods in an economy

Statement 3 is incorrect- Government borrowings can contribute to a decline in national savings for two main reasons. Firstly, it can **crowd out private investment** by competing for loanable funds, resulting in higher interest rates that make it costlier for businesses to borrow for investments, ultimately reducing private investment and savings. Secondly, government borrowings often **necessitate higher taxes to service the debt,** reducing the disposable income of households and businesses, thereby leading to lower overall savings.

9. Solution: (c)

Exp) Option c is the correct answer.

Government borrowings are the funds that a government raises by **selling securities to investors.** This is done to **finance government spending**, such as **infrastructure projects, social programs, and defence.** Governments borrow money when their revenue is not enough to cover their expenses.

Statement 1 is correct- Giving unemployment allowances to the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA) laborers can lead to inflation. This is because government expenditure on unemployment allowances **increases the money supply in the economy.** When the money supply increases, but the supply of goods and services remains the same, it can lead to inflation.

Statement 2 is correct- When the government borrows money, it is **competing with businesses and individuals for loanable funds.** This can **drive up interest rates, making it more expensive for businesses to borrow money to invest, which in turn can lead to reduced economic growth.** This is called **Crowding-out of funds**. Additionally, when the government borrows money, it is essentially promising to repay that money in the future, along with interest. This can create a burden on future generations, who will have to pay higher taxes to service the government's debt.

Statement 3 is correct- Government investments in infrastructure, such as **roads, bridges, and schools, can benefit future generations by making the economy more productive and efficient**. Thus, government investment in educational infrastructure would improve the skill level of the future generations and overall help in increasing the employment opportunities.

10. Solution: (b)

Exp) Option b is the correct answer.

Option a is incorrect: To differentiate between sources of income of Union and State Governments is not the primary purpose of the Capital and Revenue classification. While the source of funds for each type of expenditure may differ, the classification focuses on the nature of the expenditure itself.

Option b is correct: Capital expenditure is generally associated with the creation of assets that will benefit the government for more than one year. This includes infrastructure projects like buildings and bridges, purchase of machinery and equipment, and investments in research and development.

Revenue expenditure, on the other hand, covers the ongoing expenses of the government's day-to-day functioning. This includes salaries, pensions, interest payments, subsidies, and other administrative costs. **Therefore, the primary concept behind classifying a budget into Capital and Revenue components is to distinguish between investments that generate long-term benefits and regular expenses incurred for the government's routine operations.**

Option c is incorrect: The distinction between capital and revenue budgets is primarily based on differentiating between long-term investments and routine operational expenses, rather than planned or non-planned activities. In fact, the classification of **planned and non-planned expenditure applies to both revenue and capital budgets.**

Option d is incorrect: While the Capital and Revenue classification can be used to inform budget allocation decisions, it is not the primary objective. The efficiency and effectiveness of budget allocation depends on various factors beyond this classification.

11. Solution: (a)

Exp) Option a is the correct answer.

Statement a is correct: The fiscal deficit is the difference between the government's overall expenditure and its total receipts, without considering borrowing. It is a critical indicator of a government's financial health, showing how much, it needs to borrow to cover the shortfall. A high fiscal deficit may indicate financial instability, while a lower one implies better fiscal management.

Fiscal deficit = Total expenditure - Total receipts (excluding borrowings)

Statement b is incorrect: The Effective Revenue Deficit (not the Fiscal Deficit) is calculated by subtracting the grants for capital asset creation from the revenue deficit. It provides a more accurate reflection of the government's revenue spending, excluding expenditures related to capital investments. This concept is particularly important when analyzing the quality of government spending, as it focuses on recurring revenue expenses rather than capital investments, which can vary significantly from year to year. The government of India has stopped calculating the Effective Revenue Deficit in the Budget statement.

Statement c is incorrect: Monetized deficit (not the Fiscal Deficit) refers to the portion of the fiscal deficit that is financed by borrowing from the Reserve Bank of India (RBI). It represents the monetary support provided by the RBI to the government, involving the purchase of government bonds to cover the government's spending requirements.

Statement d is incorrect: The formula for Fiscal Deficit, as correctly stated, is:

Fiscal Deficit = Revenue Deficit + Capital Expenditure - Non-debt creating capital receipts

Non-debt creating capital receipts are sources of income for the government that do not result in the accumulation of debt. Examples include the recovery of loans and the proceeds from the sale of Public Sector Undertakings (PSUs). These receipts do not contribute to the government's overall debt burden, making them different from borrowings, which do increase the debt.

Important Tips

Formulae for calculating fiscal deficit:

Fiscal deficit = Total expenditure - Total receipts (excluding borrowings).

Fiscal deficit = (Revenue expenditure + Capital expenditure) - (Revenue receipts + Capital receipts excluding borrowings).

Fiscal deficit = (Revenue expenditure - Revenue receipts) + (Capital expenditure - Capital receipts excluding borrowings).

Fiscal deficit = Revenue deficit + (Capital expenditure - Capital receipts excluding borrowings).

12. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Off Budget Borrowings are the **loans taken by government owned entities like Central Public Sector Enterprises (CPSEs)** on the **directions of the government** in order to **supplement the expenditure made by the government.**

Statement 2 is incorrect: Even though these borrowings have implications on government finances and macroeconomic stability, they are **not included in the Fiscal Deficit**. This is the reason they are called Off Budget or Extra-Budgetary Borrowings.

Statement 3 is correct: The **interest** as well as the **principal amount** incurred through such borrowings is the **liability of the Central Government** and has to be **paid from government resources/ budget itself (Consolidated Fund of India).** This is why off budget borrowings have implications for public finances and macroeconomic stability.

Statement 4 is correct: The **Parliament controls the Executive**, that is the Government by **restricting their appropriation of public funds collected via taxes, fees, etc from the citizens, from the Consolidated Fund of India.** However if the Executive uses alternative routes like directing CPSEs to take loans, which **are not a part of deficits or budget calculations, the legislature will not thus be able to question or control government expenditure or its quality (productive or wasteful)**, thus **reducing their accountability** to citizens.

13. Solution: (a)

Exp) Option a is the correct answer.

Statement-I is correct: Fiscal deficits arise whenever a government spends more money than it earns during a fiscal year i.e. government runs a fiscal deficit when it spends more than it takes in from taxes and other revenues. Long-term deficits can be detrimental to economic growth and stability.

Statement-II is correct, and Statement-II is the correct explanation for Statement-I: The gross fiscal deficit, a key economic indicator, reflects the extent to which a government borrows to cover its spending exceeding revenue. High fiscal deficits signal financial stress, compelling increased borrowing. This, in turn, raises borrowing costs, contributes to inflation, and can potentially crowd out private investment, hindering overall economic growth. The fiscal deficit is typically financed through government securities and loans, impacting the national debt. **Monitoring this deficit becomes crucial for understanding the government's financial situation and its broader implications for economic stability.** Effective management is imperative to prevent an unsustainable fiscal burden that might jeopardize a nation's economic health.

14. Solution: (c)

Exp) Option c is the correct answer.

The Reserve Bank of India (RBI), in its latest Financial Stability Report released in June, has sounded a note of caution on the high debt levels among states due to fiscal profligacy.

Fiscal profligacy refers to excessive government spending beyond its means, often leading to budget deficits, debt accumulation, and economic instability. It neglects long-term financial health for short-term gains, rising inflation and currency devaluation. Prudent fiscal management is crucial for sustainable economic growth and stability.

In recent times it can be seen in government spending the loan money on populist giveaways such as transfer payments, freebies etc that generate no additional revenue which **in turn increases the debt burden of the government.** In long run, the situation will result in economic instability.

15. Solution: (b)

Exp) Option b is the correct answer.

Revenue receipts in a **government budget** are **classified** into **two broad categories: tax revenue** and **non-tax revenue. Tax revenue** comprises **all receipts from taxes and duties** levied by the government. **Non-tax revenue** includes all **other revenue receipts that the government earns not as a result of taxes** but through its investments, services, and other administrative activities.

Option 1 is correct: Dividends from Public Sector Undertakings (PSUs) represent the government's earnings from its investments in various public enterprises, classifying them as non-tax revenue.

Option 2 is correct: Interest received on loans given by the Central Government is another form of non-tax revenue, as it represents earnings from the government's lending activities.

Option 3 is incorrect: When the government sells its stake in public sector undertakings (PSUs), the revenue generated is considered a capital receipt. It is not part of non-tax revenue receipts.

Option 4 is correct: Dividends from the Reserve Bank of India's operations, which include interest on foreign currency assets and earnings from its domestic operations, are considered non-tax revenue.

Option 5 is incorrect: When the government recovers loans it has previously issued, **it's considered a capital receipt. It does not qualify as non-tax revenue.**

Option 6 is correct: Non-tax revenue receipts encompass income for the government besides taxes collected from citizens. Profits from minting coins arise from the difference between the face value of the coin and the cost of production. The government generates income from this difference. This

16. Solution: (b)

Exp) Option b is the correct answer.

Option a is incorrect. Crowding out refers to the phenomenon where increased government **borrowing leads to higher interest rates, which in turn reduces the funds available to the private sector.**

Option b is correct. "**Crowding in**" refers to the phenomenon where **increased government spending or investment attracts additional private investment,** leading to overall economic growth and expansion

Option c is incorrect. Sovereign debt is issued by a national government and referred to as government debt, public debt, and national debt. Governments borrow for public investments and to boost employment.

Option d is incorrect. A **bailout package** is a financial rescue plan provided by the government or other entities to support a struggling company, industry, or economy facing financial distress. It typically involves providing funds, loans, guarantees, or other forms of assistance to prevent the entity from collapsing or defaulting on its obligations. Bailout packages are often implemented to stabilize financial markets, prevent systemic risks, preserve jobs, and maintain economic stability.

Important Tips

Difference between crowding out and crowding in

When the government pursues expansionary fiscal policy (higher spending financed by borrowing) there are two possible effects

Crowding out – higher government spending financed by borrowing leads to a fall in private sector saving. This is for two main reasons

1) With expansionary fiscal policy, private sector savers buy government bonds and so have fewer savings to fund private sector investment.
2) Also, higher government borrowing tends to push up interest rates and these higher interest rates reduce investment.

Crowding in – this relates to how higher government spending encourages firms to invest more. This is due to the income effect of higher government spending. If the economy is in a recession or below full capacity, expansionary fiscal policy can increase the economic growth rate and create a positive multiplier effect, which leads to greater private sector investment.

17. Solution: (b)

Exp) Option b is the correct answer.

Revenue receipts refer to those receipts which neither create any liability nor cause any reduction in the assets of the government. They are regular and recurring in nature.

Option 1 is correct. Two sources that form revenue receipts include tax revenue and non-tax revenue.

Tax revenue includes all revenue received via collection of direct and indirect taxes. These taxes are Corporation Tax, Income Tax, Customs duties, Union Excise Duties, Service Tax, Goods and Services Tax (GST), **Capital Gains Tax,** Securities Transaction Tax etc.

Non-tax revenue comprises Interest receipts, Dividends and Profits, **service fees,** etc

Option 2 is correct. Grants in aid received from foreign countries and multilateral banks **are a part of Non-tax revenue receipts.**

Option 3 is incorrect: Government borrowings through sale of Treasury Bills (T-Bills) are part of the capital account. It also includes loans received from foreign Governments and bodies and recoveries of loans granted by Central Government to State and Union Territory Governments and other parties.

Option 4 is correct. When citizens use services offered by the government, they pay bills, these are categorised as non-tax **revenue receipts.**

Option 5 is incorrect. Recoveries of loans and advances given to state governments are classified under capital receipts, not revenue receipts.

Capital receipts are all those money receipts of the government that either create a liability for the government or reduce an asset of the government.

18. Solution: (c)

Exp) Option c is the correct answer.

As per the **Union Budget 2025-26,** the share of different sources in the government's total receipts is:

1. Union excise duties: 5%

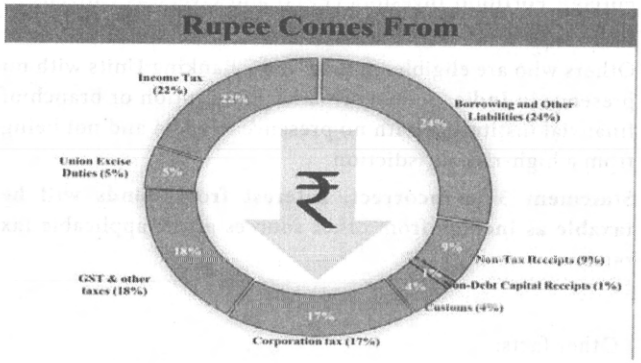
2. Corporate tax: 17%

3. Income tax: 22%

4. Borrowings and other liabilities: 24%

Arranging them in **ascending order** (from **lowest to highest**): **Union excise duties (5%) → Corporate tax (17%) → Income tax (22%) → Borrowings and other liabilities (24%)**

Thus, the correct order is **1 - 4 - 3 – 2.**



Sources of Government revenue as per Union Budget 2025-26

19. Solution: (a)

Exp) Option a is the correct answer.

Fiscal drag is an economic term whereby inflation or income growth moves taxpayers into higher tax brackets. This in effect increases government tax revenue.

Statement I is correct: Fiscal drag reduces **effective demand in the economy** because as individuals move into higher tax brackets due to inflation or income growth, their disposable income decreases. This leads to lower consumption and demand in the economy.

Statement II is correct and explains statement I: Fiscal drag increases the overall tax burden on taxpayers as they end up paying a higher percentage of their income in taxes, even if tax rates remain unchanged.

Thus, **as the taxpayer's spending declines thus the effective demand also declines.**

20. Solution: (a)

Exp) Option a is the correct answer.

Green bonds are debt instruments issued by governments, corporations, and multilateral banks to raise funds for projects that reduce emissions or enhance climate resilience. Sovereign green bonds (SGrBs) are those that are issued by sovereign entities, like the Government of India.

Statement 1 is correct. The Government of India announced the issuance of Sovereign Green Bonds (SGrBs) in the Union Budget 2022-23. **SGrBs aims to use the funds for green infrastructure investments, thereby reducing the Indian economy's carbon intensity or the emission intensity.**

Statement 2 is incorrect. Non-resident Indians can now invest in Sovereign Green Bonds (SGrBs) through the International Financial Services Centre (IFSC). IFSC is located in GIFT city in Gandhinagar, Gujarat. Non-resident Indians (NRIs) wishing to invest in long-term Indian government bonds can now do so through the IFSC route in SGrB.

Retail and NRI investors can invest in Sovereign Green Bonds (SGrBs). Retail investors can do so through the RBI Retail Direct website or their brokerage firm if available. NRIs can also invest in these bonds as 'specified securities' under the Fully Accessible Route (FAR).

Foreign Portfolio Investors (FPIs) and Overseas Citizens of India (OCIs) can also invest in SGrB.

Others who are eligible include: IFSC Banking Units with no presence in India; and any financial institution or branch of financial institution with no presence in India and not being from a high-risk jurisdiction.

Statement 3 is incorrect. Interest from bonds will be taxable as income from other sources at the applicable tax rates.

Important Tips

Other facts:

1. SGrBs can be used for margin trading on stock exchanges.
2. Like government securities (G-Sec), SGrBs also have a sovereign guarantee of the Indian government.

21. Solution: (d)

Exp) Option d is the correct answer.

Statement-I is incorrect: It is not necessary for the Reserve Bank of India (RBI) to purchase securities issued by the Central or State Government that have remained unsold in the primary market. However, RBI manages the issuance of government securities (G-Secs) on behalf of the central or state government.

1. A Government Security (G-Sec) is a tradable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).
2. In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).

Statement-II is correct: The **Reserve Bank of India (RBI) is considered as the banker to the government.** It is responsible for the **management of the accounts of the central government and all the states.** It lends to the government as well as manages the government's borrowing programme. All financial transactions of governments are undertaken through RBI.

22. Solution: (c)

Exp) Option c is the correct answer.

Statements 1 and 2 are correct. All those receipts of the government which create liability or reduce financial assets are termed as capital receipts. **The capital receipts of the government includes money raised by way of loans or from the sale of its assets.** Loans will have to be returned to the agencies from which they have been borrowed. Thus they create liability. Sale of assets, i.e. disinvestment, reduces the total amount of financial assets of the government.

Statement 3 is incorrect. Revenue receipts are those receipts that do not lead to a claim on the government. They are therefore termed non-redeemable. They are divided into tax and non-tax revenues. Tax revenues are an important component of revenue receipts. It consists of direct taxes like personal income tax and corporation tax, and **indirect taxes** like excise taxes (duties levied on goods produced within the country), customs duties (taxes imposed on goods imported into and exported out of India) and service tax.

Statement 4 is correct. Recoveries of loans and advances also comprises the capital receipts as it reduces the financial assets of the government.

23. Solution: (b)

Exp) Option b is the correct answer.

Counter-cyclical fiscal policy involves actions taken by the government to counteract the prevailing economic trend. The boom period is a period of rapid economic growth, often characterized by high demand, rising prices, and potential inflation. During a boom, the goal of Counter-cyclical fiscal policy will be to slow down the economy to prevent overheating and inflation.

Option 1 is correct: Increase the tax rates:. Higher taxes reduce disposable income, thereby decreasing consumer spending and slowing down the economy.

Option 2 is incorrect: Increase spending on welfare schemes: During a boom, the aim is to reduce spending,

not increase it. Increasing welfare spending would stimulate demand, which is the opposite of what a counter-cyclical policy intends.

Option 3 is incorrect: Increase the investments in the infrastructure sector: Similar to welfare spending, **increasing infrastructure investment would boost demand,** which is not aligned with counter-cyclical policy during a boom.

Option 4 is correct: Reduce the amount of subsidies given by the government: **Reducing subsidies would decrease government spending and potentially reduce demand,** which aligns with counter-cyclical policy.

24. Solution: (c)

Exp) Option c is the correct answer.

The term **"budget"** is derived from the French word ***"bougette,"*** meaning a leather bag or wallet. It refers to a document that contains the government's estimates of revenue and expenditure for a specific financial year. The provisions regarding the Union Budget are outlined in **Article 112** of the Indian Constitution.

Statement 1 is correct: The **Constitution of India does not use the term "budget."** Instead, it refers to the "**Annual Financial Statement" in Article 112.** According to Article 112, the Annual Financial Statement must be presented by the **President** before both houses of Parliament every fiscal year. It encompasses the government's estimated receipts (revenues) and expenditures for the upcoming financial year.

Statement 2 is incorrect: The **responsibility for preparing the Union Budget** lies with the **Department of Economic Affairs** (DEA), which is under the **Ministry of Finance.**

The **Department of Financial Services,** which is also under the Ministry of Finance, is the nodal department of the **Banking, Insurance and Financial sectors.**

Statement 3 is correct: The **Union Budget** not only presents the estimated receipts and expenditures for the upcoming financial year but also includes a detailed account of the actual **receipts and expenditures from the previous financial year.**

Additionally, it **outlines strategies for raising revenue,** which include taxation (direct and indirect taxes), borrowings (domestic and international), and other financial instruments like disinvestment, while also **specifying methods for mobilizing resources** to fund various government programs and maintain fiscal stability.

25. Solution: (a)

Exp) Option a is the correct answer.

"Above-the-line" measures include those for which full cost is reflected in the fiscal deficit, government debt, and increased borrowing needs in the short term. These measures include additional spending (for example, health services and unemployment benefits); capital grants and targeted transfers (for example, wage subsidies or direct transfers); or tax measures (for example, tax cuts or other relief) provided through standard budget channels.

These include regular expenses such as government spending on goods and services, salaries, subsidies, and transfers. These items directly affect the fiscal deficit, which is the difference between the government's total expenditure and its total revenue (excluding borrowings).

Below-the-line measures involve the creation of assets, like **equity injections,** loans, asset purchase, etc. which **may have little or no upfront impact on the fiscal deficit.** However, they can later increase debt or reduce liquidity.

26. Solution: (c)

Exp) Option c is the correct answer.

1. A **twin deficit** is when a country has **both a budget (fiscal) deficit and a current account deficit** at the same time.
2. It occurs when a government spends more than it receives in revenue and capital assets (without borrowings), and when the cost of imports is higher than the income from exports.
3. The increase in the fiscal deficit may cause the current account deficit to widen.
4. The twin deficit problem, especially the worsening current account deficit, may compound the effect of costlier imports and weaken the value of the rupee, thereby further aggravating external imbalances

27. Solution: (a)

Exp) Option a is the correct answer.

The **Fiscal Responsibility and Budget Management (FRBM) Act, 2003,** was enacted to ensure **fiscal discipline, reduce deficits, and promote transparency in government finances.** It sets targets for reducing **fiscal deficit and revenue deficit,** restricts excessive government borrowing, and mandates regular reporting to Parliament.

Statement 1 is correct: The **Fiscal Deficit can exceed the targets** under **exceptional circumstances,** such as **national security, act of war, national calamity, collapse of agriculture severely affecting farm output and incomes, structural reforms in the economy with unanticipated fiscal implications, decline in real output growth of a quarter by at least three per cent points below its average of the previous four quarters.**

Statement 2 is incorrect: The FRBM Act **did not create a Fiscal Council.** In 2017, the **NK Singh Committee on FRBM reforms** recommended the establishment of a **Fiscal Council** to oversee fiscal policy, but it has not been implemented yet.

Statement 3 is correct: The FRBM Act made it mandatory for the government to place the following along with the **Union Budget documents in Parliament annually:**

1. Medium Term Fiscal Policy Statement
2. Macroeconomic Framework Statement
3. **Fiscal Policy Strategy Statement**

28. Solution: (d)

Exp) Option d is the correct answer.

Zero-Based Budgeting (ZBB) is a budgeting approach where each expense must be **justified from scratch** for every new budget period, rather than being based on past expenditures. Zero-Based Budgeting (ZBB) operates on the principle that every expenditure must be **re-evaluated and justified** for each new budgeting cycle.

Statement I is incorrect: In India, zero-based budgeting was adopted by the Department of Science and Technology in 1983. **In 1986, the Indian government implemented zero-based budgeting as a system for determining expenditure budget.** The government made it mandatory for all Ministries to review their programmes and activities and prepare their expenditure estimations based on the zero-based budgeting concept.

Statement II is correct: The NK Singh Committee, established in 2016, **recommended fiscal consolidation mechanisms for India, including a roadmap for reducing the fiscal deficit**. However, this committee's recommendations did not recommend the introduction of ZBB. The committee was formed to review the FRBM Act. The committee recommended that the government should target a fiscal deficit of 3 percent of the GDP in years up to March 31, 2020, cut it to 2. 8 per cent in 2020-21 and to 2. 5 per cent by 2023.

29. Solution: (b)

Exp) Option b is the correct answer.

A fiscal deficit occurs when a government's total expenditures exceed its total income, excluding borrowings. It indicates the shortfall that the government needs to finance through borrowing or other means. It is expressed as:

Fiscal Deficit = Total Expenditure - (Revenue Receipts + Non-Debt Capital Receipts)

Option 1 is incorrect: Off-budget borrowing allows the government to finance expenditures without directly impacting the fiscal deficit. Instead of borrowing itself, the government directs entities like Special Purpose Vehicles (SPVs) or Public Sector Undertakings (PSUs) to raise funds on its behalf. Since these liabilities do not appear in the government's official accounts, they do not affect the reported fiscal deficit. Hence, **curbing off-budget borrowings helps in reducing the overall debt burden and it does not directly lower the fiscal deficit.**

Option 2 is correct: As tax is the main source of revenue for the Government of India, **expanding the income tax base leads to higher tax collection, increasing government revenue.** This reduces the need for excessive borrowing to meet expenditures, thereby **lowering the overall fiscal deficit and ensuring better fiscal sustainability.**

Option 3 is correct: The food subsidy, primarily provided through the Public Distribution System (PDS) and welfare schemes, constitutes a major component of government expenditure. **Rationalizing the food subsidy through measures like Direct benefit transfer can lower government spending** without compromising food security.

30. Solution: (c)

Exp) Option c is the correct answer.

Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing. The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources.

Gross fiscal deficit = Total expenditure – (Revenue receipts + Non-debt creating capital receipts)

Option 1 is correct: If a government runs a fiscal deficit for an extended period, it can lead to an accumulation of debt and potentially lead to inflation.

Option 2 is correct: To finance the fiscal deficit, government has many options. It may also increase the tax rate to decrease the fiscal deficit. It is observed that deficit financing is inflationary in nature. As deficit financing increases aggregate expenditure and hence increases demand. It increases the chance of high inflation.

Option 3 is correct: If the government tries to **finance its deficit from external borrowings, it can make the country dependent on foreign countries and financial institutions.** For eg. taking loan from World Bank, we have to accommodate the core principals of such foreign institutions in our economic policy.

Option 4 is incorrect: A high fiscal deficit might reduce the sovereign credit rating of the country, which will make it difficult to raise funds abroad and attract investments to India. Hence, high fiscal deficit reduces the **sovereign credit rating.**

31. Solution: (b)

Exp) Option b is the correct answer.

The government plays a very important role in increasing the welfare of the people. In order to do that the government intervenes in the economy in the following ways.

Option 1 is incorrect: Private goods are those whose ownership is restricted to the group or individual that purchased the good for their own consumption. **Thus, enjoyment of the private goods depends upon the individual's capacity and choice. Government plays minimal role in allocation of the private goods.**

Option 2 is incorrect: Fiscal deficit arises when the expenditure of a government is more than the revenue generated by the government in a given fiscal year. High fiscal deficits may lead to higher inflation rates in an economy. So, governments try to keep the fiscal deficit **within a specified limits** to balance the growth and inflation levels. **Achieving zero fiscal deficit may not be a primary objective of the government budget.**

Option 3 is correct: Government budget can help in reducing the economic inequalities among the people of the country. The government budget can affect the personal disposable income of households by making transfers and collecting taxes. It is through this that the government can change the distribution of income and bring about a distribution that is considered 'fair' by society.

Option 4 is correct: Aggregate demand in an economy is an important factor that influences the macro-economic stability. Hence governments try to maintain optimum levels of inflation and employment in the economy, **to stabilize aggregate demand in the economy.**

32. Solution: (a)

Exp) Option a is the correct answer.

The Indian budget system refers to the process and framework through which the government of India formulates, presents, and executes its annual budget. It plays a crucial role in the fiscal and economic management of India.

Statement 1 is incorrect: The first budget was formally introduced in India in 1860 (not 1909) by Sir James Wilson, the then Finance Member of the Governor-General-in-Council. At that time, there was no elected legislature in India.

Statement 2 is correct: It is true that the word 'budget' is mentioned nowhere in the Constitution. According to Article 112 of the Indian Constitution, the President of India shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, referred to as the 'annual financial statement'.

Statement 3 is incorrect: The budget is prepared by the **Department of Economic Affairs under the Ministry of Finance, not the Department of Revenue**. The Department of Economic Affairs prepares the budget in consultation with concerned ministries.

33. Solution: (d)

Exp) Option d is the correct answer.

Reduced government expenditure refers to a **decrease in the amount of money** that a government spends on all types of items, including **goods and services, subsidies, welfare schemes, and interest payments.**

Statement 1 is correct- When the government **privatizes a loss-making Public Sector Enterprise (PSE), it sells it to a private company.** This reduces government expenditure in two ways: 1) The government no longer needs to subsidize the PSE's losses, and 2) The private company often runs the PSE more efficiently, cutting costs.

Statement 2 is correct- Cutting defense imports can decrease government spending in three ways: by **saving foreign exchange reserves, promoting domestic production for job creation and economic growth, and reducing reliance on foreign suppliers**, enhancing strategic independence and resilience against supply chain disruptions.

Statement 3 is correct- Fuel subsidies mean that the government **gives money to businesses or people to make fuel (like gasoline, diesel, or gas for cooking) cheaper.** Fuel subsidies can be a major drain on government finances. Reducing or eliminating fuel subsidies can reduce government expenditure.

Statement 4 is correct- Zero-based budgeting is a process in which governments start each budget cycle from **scratch, justifying every expense.** This can help to **identify and eliminate unnecessary spending.**

34. Solution: (a)

Exp) Option a is the correct answer.

Public provision is the government's role in supplying public goods that the market cannot efficiently provide, while public production is the government directly producing goods.

Statement 1 is correct: In **Public Production, the government engages directly in manufacturing or production**. Conversely, Public Provision involves goods financed by the budget and these goods may be manufactured directly by the government or by private entities.

Statement 2 is incorrect: Non-rivalrous goods are those where consumption by one person does not diminish its availability for others. Examples include national defense, law enforcement, and clean air.

Rivalrous goods are those where consumption by one person reduces the availability for others. Examples include food, clothing, and transportation.

Public Production:

- Not all goods produced by the government are non-rivalrous. For example, government-run hospitals may provide healthcare services, which are rivalrous to the extent that beds and resources are limited.
- While some goods produced publicly may exhibit non rivalrous characteristics (e.g., public parks), the production process itself often involves the use of rivalrous resources like land, labor, and materials.

Public Provision:

- Goods and services provided by the government can be both rivalrous and non-rivalrous. For example, public libraries provide access to books and information (non-rivalrous), but the availability of individual copies can be limited (rivalrous).
- Publicly funded education is another example, where the knowledge gained by one student doesn't diminish the knowledge available to others (non-rivalrous), but resources like classrooms and teachers can be limited (rivalrous).

Therefore, the distinction between rivalrous and non-rivalrous goods is not solely dependent on whether the production or provision is handled by the government. Both Public Production and Public Provision can involve a mix of both types of goods and services.

35. Solution: (b)

Exp) Option b is the correct answer.

Consolidated Fund of India is the most important of all government accounts. Revenues received by the government and expenses made by it, excluding the exceptional items, are part of the Consolidated Fund.

Option 1 is correct: All revenues received by the Government of India by way of taxes as well as non-tax revenues are credited into the Consolidated Fund of India.

Option 2 is correct: All loans raised by the Central Government by issue of public notifications, treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are credited into the Consolidated Fund of India.

Options 3 and 4 are incorrect: All other public money (other than those which are credited to the Consolidated Fund of India) received by or on behalf of the Government of India shall be credited to the Public Account of India. This includes provident fund deposits, judicial deposits, savings bank deposits, departmental deposits, remittances and so on. This account is operated by executive action, that is, the payments from this account can be made without parliamentary appropriation. Such payments are mostly in the nature of banking transactions.

36. Solution: (b)

Exp) Option b is the correct answer.

Capital expenditure refers to government spending that results in the creation of physical or financial assets or a reduction in financial liabilities. This includes expenses like the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the central government to state and union territory governments, among others.

Grants given to state governments are typically part of revenue expenditure, even though some of the grants may be intended for the creation of assets. These grants are meant to support various ongoing government programs and may or may not result in the creation of physical or financial assets.

37. Solution: (b)

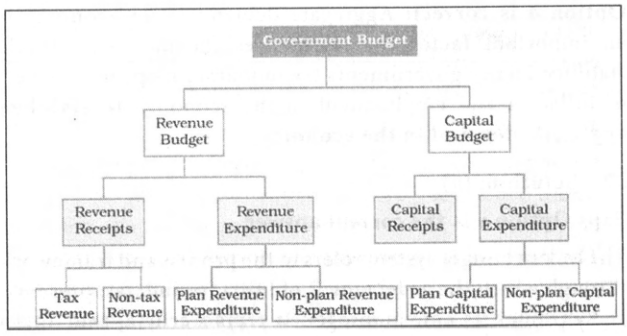
Exp) Option b is the correct answer.

Revenue receipts are regular and recurring. They are received by the government at regular intervals, usually during a specific period like a fiscal year. Capital receipts are government income that either create liabilities or reduce government assets. They are one-time, non-recurring inflows, often resulting from activities like borrowing, asset sales, or loan recoveries.

Statement 1 is correct: Revenue Receipts are not typically considered as creating a future liability or debt that needs to be repaid, and hence, **they are "non-redeemable" I.e. they cannot be claimed back from the government.**

Statement 2 is incorrect: Revenue Receipts neither reduce the asset value of the Government of India nor they lead to the creation of new liabilities on the government. On the other hand, Capital Receipts of India in the budget, either create liabilities or reduce the asset value of the government.

Statement 3 is correct: Interest on loans is considered as revenue receipts of the government. They represent income earned by the government from interest on loans and advances it has made, and they contribute to the government's regular revenue.

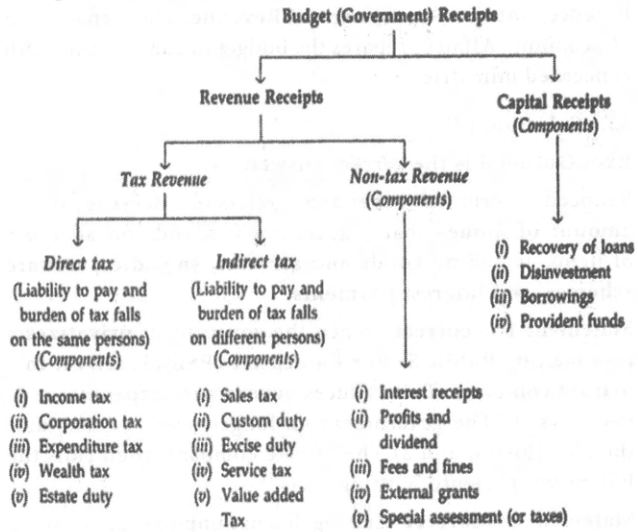


38. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: While some **capital receipts, like loans, indeed create debt because they must be repaid with interest, other capital receipts, such as the sale of assets or investments, do not create debt.** These non-debt-creating capital receipts represent funds received without the obligation of repayment and interest, as they involve selling assets or equity stakes, which reduce financial assets rather than creating debt.

Statement 2 is incorrect: Profits and dividends received by the Government of India from the public sector undertakings fall under the non-tax revenue receipts (not the capital receipts).



39. Solution: (b)

Exp) Option b is the correct answer.

Option a is incorrect: A corporate entity intentionally borrows funds with the goal of reducing its tax liabilities, **is not related to the concept of debt trap.** An entity, by incurring interest expenses on the borrowed funds, can deduct those expenses from its taxable income, thereby lowering its overall tax liabilities.

Option b is correct: A **debt trap** is a situation in which someone is **compelled to continuously borrow more funds to settle their current debts.** Gradually, they find themselves caught in a situation where their debt accumulates

uncontrollably, surpassing their ability to repay, leading to entrapment in a vicious cycle of debt. Thus, **borrowing by the Government mainly to meet its existing debt obligations** is an example of debt trap.

Option c is incorrect: Evergreening of loans is a practice where banks provide new loans or extend existing ones to a borrower who is struggling to meet their debt obligations. The purpose is to prevent the borrower's loans from being classified as bad debt or Non-Performing Assets (NPAs). By providing new loans, it can temporarily appear that the borrower is servicing their debts, even though the underlying financial health may be deteriorating.

Option d is incorrect: Haircut refers to the reduction in the **value of collateral assets that a bank or lender accepts to settle a loan or debt.** When a borrower defaults or is unable to repay their loan in full, the lender may seize and sell the collateral assets to recover as much of the outstanding debt as possible. The difference between the loan amount and the actual value of the collateral is the haircut.

40. Solution: (a)

Exp) Option a is the correct answer.

Pair 1 is correctly matched: The Macro-economic framework statement, presented during the annual Union Budget, is a requirement of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 (Section 3(5)). **It assesses the economy's growth prospects based on specific assumptions, providing an overview of the economy. This includes an evaluation of GDP growth, central government fiscal balance, and the external sector balance.**

Pair 2 is incorrectly matched: The Medium-term Fiscal Policy Statement, as per Section 3(2) of the Fiscal Responsibility and Budget Management Act, 2003, is submitted to Parliament. **It provides a broader overview of fiscal sustainability and the balance between revenue and expenditure. The statement outlines three-year rolling targets for five fiscal indicators** in relation to GDP at market prices: (i) Revenue Deficit, (ii) Fiscal Deficit, (iii) Effective Revenue Deficit, (iv) Tax to GDP ratio, and (v) Total outstanding Central Government Debt at year-end.

Pair 3 is incorrectly matched: Fiscal Policy Strategy Statement outlines the government's fiscal priorities for the upcoming financial year. It covers aspects like taxation, expenditure, lending, investments, administered pricing, borrowings, and guarantees. The statement also justifies significant deviations from fiscal measures, ensuring alignment with sound fiscal management principles.

41. Solution: (b)

Exp) Option b is the correct answer.

The Impossible Trinity is an economic theory that states a country cannot simultaneously achieve all three of the following goals:

1. **A fixed exchange rate:** Maintaining a stable value of the country's currency relative to another.
2. **Free capital movement (capital mobility):** Allowing money to flow freely in and out of the country without restrictions.
3. **Independent monetary policy:** The ability of a country's central bank to set interest rates and control money supply to manage inflation and economic growth.

According to the Impossible Trinity, a country can only achieve two of these three goals at a time, but not all three simultaneously.

Option a is incorrect: Earth Trilemma: The Earth's trilemma is the challenge of balancing energy security, affordability, and sustainability. The trilemma can be challenging to balance because the three dimensions are often at odds with each other. For example, generating energy from solar power alone might be affordable but not secure.

Option c is incorrect: International Relations Trilemma: Democracies like 'international order' when it helps them to attract beneficial capital inflows. But both the capital mobility (as we have seen) and the limits imposed by international order narrow the scope for democratic politics. It can be formulated as follows: capital flows, democracy, and a stable international political order cannot be reconciled with each other simultaneously.

Option d is incorrect: Financial stability trilemma' was put forward by Dirk Schoenmaker (2008), explains the incompatibility within the Euro zone of: (i) a stable financial system, (ii) an integrated financial system, and (iii) national financial stability policies.

42. Solution: (a)

Exp) Option a is the correct answer.

The **15th Finance Commission** (FC) was constituted under **Article 280** of the Constitution to recommend the **devolution of taxes** between the Union and States **(Vertical Distribution)** and **among the states (Horizontal Distribution)** for the period **2021-26.**

The **horizontal distribution formula** considers multiple parameters to ensure need, equity and performance in resource allocation among states. The weightages assigned to these parameters by the **15th FC** are:

Parameter	Weightage (%)	Purpose
Income Distance	45	To provide greater funds to poorer states with lower per capita income.
Population (2011 Census)	15	To reflect the current demographic scenario and needs.
Area	15	To account for the cost differentials in governance over large geographical areas.
Demographic Performance	12.5	To incentivize states with better population control and health indicators.

Forest & Ecology	10	To reward states with high forest cover for their ecological services.
Tax & Fiscal Effort	2.5	To incentivize states for better tax collection and fiscal discipline

Arranging them in **descending order (from highest to lowest):**

Income Distance (45%) → Area (15%) → Demographic performance (12.5%) → Forest and Ecology (10%).

Thus, the correct order is **2 - 4 - 1 – 3.**

Important Tips

Vertical Distribution (Union to States):

1. The **15th FC recommended** that **41%** of the divisible pool of central taxes should be devolved to states.
2. This is a continuation of the 42% devolution recommended by the **14th FC**, but reduced to **41% due to the exclusion of Jammu & Kashmir**, which became a Union Territory after the abrogation of Article 370.

43. Solution: (a)

Exp) Option a is the correct answer.

Small Savings Schemes in India are a collection of savings instruments offered by the government to encourage individuals to save regularly. They are administered by the Ministry of Finance and are a significant source of funds for the government. Examples of Small Savings Schemes include: Public Provident Fund (PPF), National Savings Certificates (NSC), Sukanya Samriddhi Yojana (SSY), Senior Citizen Savings Scheme (SCSS) and Kisan Vikas Patra (KVP).

Statement 1 is incorrect: The interest rates for Small Savings Schemes are not determined by the Parliament. Instead, the **Central Government of India, specifically the Ministry of Finance, is responsible for setting and notifying these interest rates.** Interest rates on small savings schemes are reset on a quarterly basis, in line with the movement in benchmark government bonds of similar maturity. The rates are reviewed periodically by the Ministry of Finance. The interest rate is generally slightly higher than what banks offer on fixed deposits.

Statement 2 is incorrect: Deposits collected under Small Savings Schemes are credited to the National Small Savings Fund (NSSF), which is maintained within the Public Account of India, not the Consolidated Fund of India.

Statement 3 is correct: Funds accumulated in the NSSF are primarily used to invest in the securities of the Central and State Governments. The money in the fund is used by the central government to finance its fiscal deficit.

44. Solution: (b)

Exp) Option b is the correct answer.

The **Prime Minister Dhan-Dhaanya Krishi Yojana (PMDKY)** scheme was introduced in the Union Budget 2025-26 to transform agriculture in India. Through the convergence of existing schemes and specialized measures, the **programme will cover 100 districts with low productivity, moderate crop intensity and below-average credit parameters.** The programme **aims to enhance agricultural productivity; adopt crop diversification and sustainable agriculture practices; augment post-harvest storage at the panchayat and block level; improve irrigation facilities and facilitate availability of long-term and short-term credit.** This programme is likely to **help 1.7 crore farmers.**

45. Solution: (b)

Exp) Option b is the correct answer.

The Golden Rule of Public Finance is that **the amount borrowed must be used for capital formation rather than revenue expenditure. In essence, whatever the government borrows, it must use it for productive investments.**

46. Solution: (c)

Exp) Option c is the correct answer.

A cut motion is a special power vested in members of the Lok Sabha to oppose a demand being discussed for specific allocation by the government in the Finance Bill as part of the Demand for Grants. There are three main types of cut motions such as policy cut, economic cut and token cut.

Option a is incorrect: A disapproval of **policy cut** demand seeks the amount of the demand be reduced to Re 1, representing the disapproval of the policy undermining the demand.

Option b is incorrect: The **economic cut** motion calls for a reduction in the allocation of the demand to a specific amount. It represents the economy that can be affected. Such a specified amount may either be a lump-sum reduction in the demand or omission or reduction of an item in the demand.

Option c is correct: A token cut motion is moved so that **the amount of the demand is reduced by Rs 100.** This is to ventilate a specific grievance that is within the sphere of the responsibility of the Government of India.

47. Solution: (a)

Exp) Option a is the correct answer.

The **Prime Minister's National Relief Fund (PMNRF)** is a trust established in India to provide immediate relief to families and individuals affected by natural calamities, such as floods, earthquakes, cyclones, and other disasters. The fund also extends support to individuals facing serious health issues and those requiring medical treatment. The PMNRF operates as a voluntary contribution fund, with donations coming from individuals, organisations, and corporates. It was established in 1948.

Statement 1 is correct: Disbursement from the Prime Minister's National Relief Fund (PMNRF) is carried out at the **discretion of the Prime Minister** and in alignment with the directives issued by the Prime Minister.

Statement 2 is incorrect: The PMNRF is **audited by an independent auditor outside the Government.** At present,

Sarc & Associates, Chartered Accountants are the auditors. It is, thus, not audited by the Comptroller and Auditor General of India (CAG).

Statement 3 is incorrect: All contributions towards PMNRF are exempt from Income Tax under section 80 (G).

48. Solution: (b)

Exp) Option b is the correct answer.

Fiscal drag is an economic term whereby inflation or income growth moves taxpayers into higher tax brackets. This in effect increases government tax revenue without actually increasing tax rates.

Option b is correct: Fiscal drag refers to a situation in which inflation or income growth moves **taxpayers into higher tax brackets.** As taxpayers' incomes increase, they may move into higher income tax brackets, resulting in a higher average tax rate on their income. This phenomenon can lead to a **higher tax burden** on individuals with increasing incomes, **reducing disposable income** which leads to deflationary policies, or drag, on the economy.

Important Tips

The term "fiscal cliff" refers to a situation **where a combination of tax increases and spending cuts is scheduled to take place automatically**, typically at the beginning of a new fiscal year. This scenario arises when certain laws or policies have expiration dates or triggers that, if not addressed or changed, can lead to significant changes in fiscal policy. The concept gained prominence in the **United States** during debates over budgetary matters, especially related to the expiration of tax cuts and the implementation of automatic spending cuts. The concern with a fiscal cliff is that the sudden tax increases and spending cuts could have adverse effects on the economy, potentially leading to a recession or economic.

49. Solution: (a)

Exp) Option a is the correct answer.

Capital expenditure represents funds allocated by an organization for long-term investments in assets such as property, machinery, or infrastructure. Unlike operating expenses, which are incurred for day-to-day operations, capital expenditures are aimed at enhancing productivity, expanding capacity, or improving efficiency, thereby facilitating future growth and development.

Option 1 is correct: Construction of highways is a capital expenditure as it involves investment in infrastructure that will benefit the economy over many years.

Option 2 is incorrect: Salaries for government employees is not a capital expenditure; it is a revenue expenditure used for day-to-day operations.

Option 3 is incorrect: Pension for government employees is a revenue expenditure and not a capital expenditure because it doesn't lead to creation of assets.

Option 4 is incorrect: According to the fiscal statement subsidies form a significant portion of the Revenue expenditures which includes food, fertilizer, and petroleum subsidies. Major subsidies at Rs.3.75 lakh crore (1.2 per cent of GDP) is 10.7 % of Revenue Expenditure.

Option 5 is correct: Investment in public sector enterprises can be considered a capital expenditure if it is meant for the acquisition of fixed assets or significant upgrading of existing assets.

50. Solution: (d)

Exp) Option d is the correct answer.

The Public Account of India is a key component of government accounting, distinct from the Consolidated Fund. It comprises funds held by the government for specific purposes, including public savings, debt funds, and other liabilities. These funds are managed separately to ensure transparency, accountability, and effective financial management.

There are five major heads of accounts under the Public Account: (i) Small Savings, Provident Fund and Other Accounts (ii) Reserve Funds (iii) Deposits and Advances (iv) Suspense and Miscellaneous and (v) Remittances.

Option 1 is correct: Provident Funds are funds where both employees and employers contribute a certain percentage of the salary, which is returned to employees upon retirement. They are part of the Public Account as they are held in trust by the government.

Option 2 is correct: Collections from various small savings schemes, like the Public Provident Fund or National Savings Certificates, are included in the Public Account.

Option 3 is correct: Savings accounts held at post offices are also part of the Public Account, as the government acts as a custodian for these funds.

Option 4 is correct: Remittances are money sent into or out of the country that is held temporarily by the government is included in the Public Account.

Option 5 is correct: Deposits related to judicial matters, which the government holds in trust, are part of the Public Account.

51. Solution: (b)

Exp) Option b is the correct answer

Statement-I is correct: The Economic Survey is prepared by the Chief Economic Adviser (CEA) annually. It is a document that reviews the developments in the Indian economy over the past twelve months.

Statement-II is correct: Article 112 of the Indian Constitution requires the government to present to Parliament a statement of estimated receipts and expenditure in respect of every financial year, which is known as the annual financial statement.

Statement-II is not the correct explanation for Statement-I: The preparation of the Economic Survey by the CEA is a practice related to the presentation of economic data and trends, which is separate from the constitutional requirement of submitting the annual financial statement as per Article 112.

Publishing the Survey is not a constitutional requirement. It started to be published because of an executive decision.

52. Solution: (a)

Exp) Option a is the correct answer.

The Department of Economic Affairs (DEA) spearheads the meticulous planning and formulation of India's annual budget, outlining the government's financial priorities and resource allocations for the fiscal year.

1) **The DEA regulates and announces the interest rates for various small saving schemes,** ensuring transparency and stability in the financial sector while promoting savings among citizens.
2) **The DEA oversees both domestic and international economic policies and programs**, coordinating with various ministries and agencies to promote sustainable economic growth, monetary stability, and fiscal discipline.
3) **Additionally, it manages India's external economic relations, including negotiations with international financial institutions and bilateral/multilateral partners,** to bolster economic resilience and foster inclusive development.

53. Solution: (d)

Exp) Option d is the correct answer.

The Finance Commission (FC) is a constitutional body (Article 280), that determines the method and formula for distributing the tax proceeds between the Centre and states, and among the states as per the constitutional arrangement and present requirements.

The 15th Finance Commission was constituted by the President of India in November 2017, under the chairmanship of NK Singh. Its recommendations will cover a period of five years from the year 2021-22 to 2025-26

Statement 1 is incorrect. The 15th Finance Commission has recommended a total devolution of 41% of the divisible pool of taxes. This is 1% lower than the percentage recommended by the 14th Finance Commission. **It was the recommendation of 14th Finance Commission** to increase the share of divisible pool of taxes from 32% to 42%.

Statement 2 is incorrect. The 15th Finance Commission used the following criteria while determining the share of states: (i) 45% for the income distance, (ii) 15% for the population in 2011, (iii) 15% for the area, (iv) 10% for forest and ecology, (v) 12.5% for demographic performance, and (vi) 2.5% for tax effort. Therefore, **Income Distance was given the highest weightage** and not the population for horizontal devolution.

Statement 3 is correct. The Commission has recommended a grant of Rs 7,375 crore for nutrition in 2020-21. Sectors for which sector-specific grants will be provided in the final report include: (i) **nutrition**, (ii) health, (iii) **pre-primary education**, (iv) judiciary, and (v) railways.

Statement 4 is correct. 15th Finance Commission recommended the constitution of a **dedicated modernization fund for Defence and Internal Security by the union** government to bridge the gaps between the projected budgetary requirement and budget allocation for the capital expenditure on defence and internal security. The proceeds of this fund will be utilized for

1. Capital investment for modernization and Defence services.
2. Capital investment for CAPF and modernization of state police forces.
3. A small component of welfare fund for soldiers and paramilitary personal.

54. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect. According to **Article 116 of the Indian constitution, vote on account** is a grant in advance for the Central government to meet short-term expenditure, generally lasting for a few months till the new financial year starts. Whereas there **is no constitutional provision for an interim budget.**

Statement 2 is correct. Though both are interchangeable used, an interim budget is one which contains both revenue and expenditure details for the period until new government takes over and presents of full budget while a vote on account includes only the government's expenditures.

55. Solution: (d)

Exp) Option d is the correct answer.

Ways and Means Advances (WMA) are a temporary measure of relief given to the governments by the Reserve Bank of India (RBI).

Statement 1 is correct: The WMA is a facility provided by the RBI to both the central and state governments to help them manage temporary mismatches in their revenue and expenditure. It acts as a short-term borrowing mechanism.

Statement 2 is incorrect. WMA is designed to address temporary cash flow mismatches, not to fund long-term development projects. Governments typically use WMA to bridge short-term gaps in their finances, such as when revenue collection is delayed or unexpected expenditures arise. Section 17(5) of the RBI Act, 1934 authorises the central bank to lend to the Centre and state governments subject to their being **repayable "not later than three months from the date of the making of the advance"**.

Statement 3 is correct. The limits of WMA are decided by the RBI. The RBI reviews and sets these limits based on the government's financial needs, fiscal health, and market conditions. There are separate limits for the Central and State governments.

Statement 4 is incorrect. The interest rate on WMA is the RBI's repo rate, which is basically the rate at which it lends short-term money to banks.

The governments are, however, allowed to draw amounts in excess of their WMA limits. The interest on such overdraft is 2 percentage points above the repo rate. Further, no state can run an overdraft with the RBI for more than a certain period.

56. Solution: (a)

Exp) Option a is the correct answer.

The National Financial Reporting Authority (NFRA) is planning to conduct annual inspections of major audit firms to ensure compliance with auditing standards.

Statement 1 is incorrect: NFRA is an independent regulator set up under Section **132 (1) of the Companies Act 2013, not under the International Financial Services Centers Authority Act.**

Statement 2 is incorrect: The NFRA is a non-political body with a **chairperson appointed by the Central Government,** thus the Chairperson of the Securities and Exchange Board of India (SEBI) is not the ex-officio head of the NFRA.

Statement 3 is correct: As per **Sub Section (2) of Section 132 of the Companies Act, 2013**, the duties of the NFRA are to:

- Recommend accounting and auditing policies and standards to be adopted by companies for approval by the Central Government;
- **Monitor and enforce compliance with accounting standards and auditing standards;**
- Oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service;
- Perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.

57. Solution: (c)

Exp) Option c is the correct answer.

Option 1 correct: Fiscal Deficit:This is the difference **between the government's total expenditure and its total revenue (excluding borrowings).**Essentially, it indicates how much the government needs to borrow to cover its expenses.It is shown in the Union budget.

Option 2 is correct: Primary Deficit:This is the **fiscal deficit minus the interest payments on previous government borrowings.**It helps to understand the government's current spending policies, excluding the burden of past debt.It is shown in the Union budget.

Option 3 is correct: Revenue Deficit:This is the **difference between the government's revenue expenditure and its revenue receipts.**It shows whether the government's revenue is sufficient to cover its day-to-day expenses.It is shown in the Union budget.

Option 4 is correct: Effective Revenue Deficit:This is the **revenue deficit minus grants for the creation of capital assets.**It is important for analyzing the quality of revenue expenditure.It is shown in the Union budget.

Option 5 is incorrect: Monetized deficit: Monetised deficit is the monetary support the Reserve Bank of India (RBI) extends to the Centre as part of the government's borrowing programme. In other words, the term refers to the purchase of government bonds by the central bank to finance the spending needs of the government. It is **not part of the deficit statistics presented every year in** India's annual budget.

4

घाटे का सार Deficit Statistics

(₹ करोड़) (in ₹ crore)

		2023-2024 वास्तविक Actuals	2024-2025 बजट अनुमान Budget Estimates	2024-2025 संशोधित अनुमान Revised Estimates	2025-2026 बजट अनुमान Budget Estimates
1. राजकोषीय घाटा	1. Fiscal Deficit	1654643 (5.6)	1613312 (4.9)	1569527 (4.8)	1568936 (4.4)
2. राजस्व घाटा	2. Revenue Deficit	765216 (2.6)	580201 (1.8)	610098 (1.9)	523846 (1.5)
3. प्रभावी राजस्व घाटा	3. Effective Revenue Deficit	461300 (1.6)	189423 (0.6)	310207 (1.0)	96654 (0.3)
4. प्राथमिक घाटा	4. Primary Deficit	590771 (2.0)	450372 (1.4)	431587 (1.3)	292598 (0.8)

58. Solution: (c)

Exp) Option c is the correct answer.

Revenue deficit is the excess of expenses over receipts on a revenue account. Revenue deficit = Revenue Expense – Revenue Receipts. On the other hand, **Effective Revenue Deficit** is the difference between revenue deficit and grants given to states and union territories for creation of capital assets.

Statement I is correct: As the Union Government grants states and union territory governments various grants for the creation of capital assets (Infrastructure, roads, ports, airports etc), Effective Revenue deficit has to account for such capital creation grants and subtracts such capital creating grants from the revenue deficit. **Hence, the revenue deficit is usually greater than the effective revenue deficit.**

Statement II is incorrect: Effective Revenue Deficit is the difference between revenue deficit and **grants given to states and union territories for creation of capital assets. Effective revenue deficit only excludes capital creation grants given to states and union territories (Not all types of grants).**

59. Solution: (a)

Exp) Option a is the correct answer.

Off-budget borrowings are a financial mechanism used by **governments through entities such as public sector undertakings (PSUs) or special-purpose vehicles (SPVs) to raise funds without directly including them in the government's official budget**. This practice has significant implications for fiscal transparency and the true picture of a government's financial health.

Statement-I is correct: Off-budget borrowings are **not directly reflected in the annual budget document because they are raised through entities such as public sector undertakings (PSUs) or special-purpose vehicles (SPVs), rather than directly by the government.** This allows the government to finance certain expenditures without increasing the officially reported fiscal deficit.

Statement-II is correct: These borrowings are often **undertaken by PSUs, government agencies, or autonomous**

bodies, which raise funds on behalf of the government but do not account for them in the Union Budget.

Statement-II is the correct explanation of Statement-I: Since **off-budget borrowings are loans taken through PSUs and other agencies instead of the government directly,** they remain **outside the offi**cial budget documents. This explains why they are not reflected in the annual budget.

60. Solution: (d)

Exp) Option d is the correct answer.

Option d is correct: Effective Capital Expenditure (ECE) is a metric used to understand a government's spending on infrastructure and asset creation. It goes beyond simply looking at the budgeted amount for capital expenditure. It's the sum of a government's capital expenditure and grants for creating capital assets

Important Tips

Capital Expenditure : This refers to the money a government spends on acquiring or upgrading fixed assets like land, buildings, machinery, or infrastructure projects (roads, bridges, etc.).

Grants for Capital Assets: Grants for creation of capital assets, as a concept, was introduced in the Fiscal Responsibility and Budget Management (FRBM) Act through the amendment in 2012. The Act defines grants for creation of capital assets as grants-in-aid given by the Central Government to state governments, autonomous bodies, local bodies and other scheme implementing agencies for creation of capital assets which are owned by these entities.

Sometimes, governments provide financial assistance to other entities (states, local bodies) for creating capital assets. These grants are typically classified as revenue expenditure in the budget, even though they contribute to building fixed assets.

Effective Capital Expenditure considers both these aspects:

- It includes the government's direct spending on CapEx projects.
- It adds the grants provided for creating capital assets.

61. Solution: (b)

Exp) Option b is the correct answer.

- The Central Government Debt includes all liabilities of Central Government contracted against the Consolidated Fund of India (defined as Public Debt), other liabilities in the Public Account, (called Other Liabilities) and liabilities of Extra Budgetary Resources (EBR) raised by issuing GoI Fully Serviced Bonds.
- Public debt is further classified into internal and external debt.
- **Internal debt consists of marketable debt and non-marketable debt.**
- Marketable debt comprises Government dated securities and Treasury Bills, issued through auctions.
- Non-marketable debt comprises of Intermediate Treasury Bills (14 days ITBs) issued to State Governments/UTs of Jammu & Kashmir and Puducherry as well as select Central Banks, special securities issued against small savings, special securities issued to public sector banks/ EXIM Bank, securities issued to international financial institutions, and compensation and other bonds. Other liabilities include liabilities on account of State Provident Funds, Reserve Funds and Deposits, Other Accounts, etc

Option 1 is correct: Treasury Bills (T-Bills) are short-term debt instruments issued by the Government of India with maturities of 91, 182, and 364 days.T-Bills are considered one of the safest investments because they are backed by the government. They are highly liquid and actively traded in money markets, making them marketable debt instruments.

Option 2 is incorrect: Special securities issued against small savings are issued to institutions like the National Small Savings Fund (NSSF) and **are not traded in the market.**

Option 3 is incorrect: These are special securities issued by the government to institutions like the World Bank or IMF, usually as part of loan agreements. They **are not freely tradable in the open market, so they do not qualify as marketable debt.**

Option 4 is correct: Government-dated securities are **long-term debt instruments issued by the government** with maturities ranging from 5 to 40 years.**They are actively traded in the secondary market**, making them marketable debt instruments.

62. Solution: (a)

Exp) Option a is the correct answer.

Public debt includes the **total liabilities of the Union government that have to be paid from the Consolidated Fund of India.**

Statement 1 is correct: Public debt encompasses **all financial obligations of the government, whether they are from loans taken within the country (domestic sources) or from foreign entities (external sources).** This includes things like loans through government bonds, treasury bills, and loans from international financial institutions.

Statement 2 is correct: India's public debt is **predominantly sourced from domestic borrowings**. This is because the government primarily relies on internal sources to finance its fiscal deficit. The proportion of external debt is smaller.

DEBT POSITION OF THE GOVERNMENT OF INDIA
The outstanding internal and external debt and other liabilities of the Government of India at the end of 2024-2025 is estimated to 181,68,456.91 crore, as against 168,72,554.16 crore at the end of 2023-2024 (RE). Broad details are as follows:

	As on March 31, 2023	As on 31 March 2024	As on 31 March 2025
Internal debt and other liabilities	154.1 lakh crore	163.3 lakh crore	175.9 lakh crore
External debt	7.49 lakh crore	5.37 lakh crore	5.74 lakh crore
Total	155.6 lakh crore	168.7 lakh crore	181.16 lac crore

As can be seen from the above figure India's internal debt and other liabilities is more than 90% of India's total public debt.

Statement 3 is incorrect: The Union government's total debt as a percentage of GDP has not been continuously increasing between the Financial years 2020-21 and 2023-24. Between the years 2021-22 and 2022-23 there has been a decrease as well. Kindly refer to the below figure.

Financial Year	Internal debt		External debt		Total debt
	(₹ Lakh crore)	(% of GDP)	(₹ Lakh crore)	(% of GDP)	(% of GDP)
2019-20	99.66	49.6	5.44	2.7	52.3
2020-21	115.71	58.3	6.15	3.1	61.4*
2021-22	132.08	56.0	6.58	2.8	58.8
2022-23	148.64	55.1	7.48	2.8	57.9
2023-24 (Provisional)	163.82	55.5	7.96	2.7	58.2

Note: (1) External debt is at current exchange rate. Internal debt includes Public Account liabilities, other liabilities (EBR), etc. of the Central Government. (2) Data for FY 2023-24 is provisional and unaudited.
**Covid-19 pandemic impact*

63. Solution: (b)

Exp) Option b is the correct answer.

1. A negative interest rate-growth rate differential refers to the difference between the government's borrowing cost (interest rate) and the economy's growth rate.
2. A negative interest rate-growth rate differential implies that the economy is growing faster than the cost of servicing the debt.
3. **A negative interest rate-growth rate differential allows the government to manage its debt more effectively. Thus a negative interest rate growth rate differential indicates High government debt sustainability.**
4. As the economy expands, tax revenues increase, making debt repayment easier.
5. Consequently, the government can maintain or reduce its debt-to-GDP ratio without severe fiscal adjustments.

64. Solution: (a)

Exp) option a is the correct answer.

In the Union Budget 2025-26, the expenditure allocations for the mentioned sectors are as follows:

Option 1. Defence has been allocated ₹4,91,732 crore.

Option 2. The education sector has been allocated ₹1,28,650 crore.

Option 3. The health sector has been allocated ₹99,311 crore.

Option 4. The energy sector has been allocated ₹81,174 crore.

Hence the correct descending order is 1-2-3-4.

Important Tips

Sector wise expenditure breakdown of Major Expenditures as per Union Budget 2025-26:

Sector	Expenditure (₹ Crore)
Defence	4,91,732
Rural Development	2,66,817
Home Affairs	2,33,211
Agriculture and Allied Activities	1,71,437
Education	1,28,650
Health	98,311
Urban Development	96,777
IT and Telecom	95,298
Energy	81,174
Commerce & Industry	65,553
Social Welfare	60,052
Scientific Departments	55,679

65. Solution: (c)

Exp) Option c is the correct answer.

Fiscal Neutrality refers to a situation where government fiscal policies, including taxation and public spending, do not have a net effect on the overall demand in the economy. In other words, any increase in government spending is offset by an equivalent increase in taxation, or vice versa, so that there is no change in aggregate demand.

66. Solution: (c)

Exp) Option c is the correct answer.

Payments for which no goods or services are received in return are transfer payments.

Transfer payments commonly include efforts by local, state, and federal governments to redistribute money to those in need. Transfer payments include government payments to individuals through social programs such as welfare, student grants and social security.

Option 1 is correct. Government payments in the form of **old age pensions, education grants, unemployment benefits, gifts etc. are types of transfer payments.**

Option 2 is correct. Education grants are an example of transfer payments.

Option 3 is correct. Grants-in-aid provided to the state governments by the Union government is an example of transfer payments.

Option 4 is incorrect. Bailout is a general term for extending financial support to a company or a country facing a potential bankruptcy threat. It can take the form of loans, cash, bonds, or stock purchases. **Government payments including bailouts are not commonly described as transfer payment.**

67. Solution: (b)

Exp) Option b is the correct answer.

Options 1 and 2 are correct: Committed expenditures refer to expenditures of the government that they cannot deny (as they have already committed to pay for these expenses). It consists mainly of expenditure on **salaries and wages** of central government employees, **interest payments** (on internal as well as external loan **and pensions of the retired personnel of the governments.**

Expenditure other than committed expenditure can be classified into non-committed expenditure. An increase in committed expenditure restricts the Government's ability to incur developmental expenditure.

Option 3 is incorrect: Loans to state governments are part of non-committed expenditures of the government. This is because the government has flexibility in adjusting the amount or conditions on which such loans or subsidies are granted.

68. Solution: (a)

Exp) Option a is the correct answer.

A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments.

Statement I is correct. The Reserve Bank is **not generally allowed to purchase the primary issues** of Central Government Securities. As per the Fiscal Responsibility and Budget Management (FRBM) Act of 2003, RBI could not subscribe to primary issues of Central Government securities after 31st March 2006.

Statement II is correct. According to Section 5 (1) of the FRBM Act, the Central Government shall not borrow from the RBI except by way of Ways and Means advances to meet temporary cash requirements.

But, Section 5(3) of the FRBM Act said that **on grounds of national security or national calamity or such other exceptional circumstances as the Central Government may specify, the RBI could subscribe to primary issues** of Central Government securities. The Act thus bans the purchase of primary issues of the Central Government securities by the RBI after 2006, **preventing monetization of government deficit during normal circumstances. Thus, Statement II explains Statement I.**

69. Solution: (c)

Exp) Option c is the correct answer.

India has a concept of an executive budget wherein the budget is prepared by the executive and responsibility for its execution lies with the executive after approval of the budget by the legislature.

Pair 1 is correct: In Zero based budgeting (ZBB), the budgeting process starts fresh each year with zero base. Unlike traditional budgeting methods, ZBB doesn't rely on predetermined assumptions or reliance on the previous year's budget as a baseline. Instead of simply adjusting figures from the prior budget, every line item is scrutinized and justified anew. **In ZBB, no balances are carried forward or there are no pre committed expenses.** By **starting from scratch annually**, ZBB encourages a thorough examination of all expenditures, leading to potentially more efficient resource allocation.

Pair 2 is correct: Performance Budget is a system of presentation of public expenditure in terms of functions, programs, activities and projects that primarily reflect the input cost and outputs achieved. It is a budget that has outlays with performance targets that have been achieved for the amount of cost being put in. A system of performance budgeting by ministries was introduced in India in 1969 following the recommendations of the Administrative Reforms Commission.

One of the limitations of a Performance Budget is that it puts more focus on physical 'outputs' that are more measurable than the 'outcomes' that are end objectives of State intervention and the financial outlays.

Pair 3 is correct: Outcome Budget seeks to bring co-relation between outlay, output and outcome. The 'outlay' is the amount that is provided for a given scheme or project in the Budget. The **'output' refers to the direct and measurable product of program activities,** often expressed in physical terms or units. The **'outcome' is the collective result or qualitative improvements brought about in the delivery of these services,** often expressed in terms of improvements over earlier indicators and benchmarks. It aims to look at the performance of various ministries handling development programs. In simpler terms, it sets measurable and monitorable targets for the allocation on every plan project under various ministries.

70. Solution: (d)

Exp) Option d is the correct answer.

Public debt includes the total liabilities of the Union Government that have to be paid from the Consolidated Fund of India.

STATEMENT NO.1
SUMMARY OF DEBT POSITION
(a) Statement of Public Debt and Other Liabilities

(In crores of rupees)

Nature of Borrowings	Balance on 1st April 20x1	Receipts during the year	Repayments during the year	Balance on 31st March 20x2	Net Increase/Decrease
					In Rs.
1	2	3	4	5	
PUBLIC DEBT					
Consolidated Fund Internal Debt - Market Loans - Treasury Bills - Securities issued to International Financial Institutions - Bonds - Ways and Means Advances - Special Central Government Securities against Small Savings - Others External Debt* - Loans from Foreign countries - Loans from Multilateral Agencies and other Institutions - Others					
OTHER LIABILITIES					
Public Accounts - Small Savings, Provident Funds, etc. - Reserve Funds bearing interest - Reserve Funds not bearing interest - Deposits bearing interest - Deposits not bearing interest					

Option 1 is correct: Treasury bills are short term debt instruments issued by the Government of India. These are presently issued in three tenors, namely, 91 day, 182 day and 364 day. These are zero coupon securities and pay no interest. Instead, they are issued at a **discount and redeemed** at the face value at maturity. They are issued against the consolidated fund of India hence, are part of public debt.

Option 2 and 5 are incorrect: Liabilities of the Central Government towards the Public Account are not included as public debt. Public Account includes **Small Savings, Provident Funds**, Reserve Funds bearing interests, Reserve Funds not bearing interests etc.

Option 3 is correct: Ways and Means Advances (WMA) are temporary loan facilities provided by the Reserve Bank of India (RBI) to the central and state governments to help them manage temporary mismatches in their receipts and expenditures. WMA to the Union Government is part of the public debt of the Union Government.

Option 4 is correct: Securities issued to the international financial institutions by the Union Government constitute the part of external borrowing by the Union Government. As contracted against the Consolidated Fund of India, it is part of the Public Debt of the Union Government.

Important Tips

Other facts about the Public Debt of India:

The sources of public debt are dated government securities (G-Secs), treasury bills, external assistance, and short-term borrowings.

According to the Reserve Bank of India (RBI) Act, 1934, the **RBI is both the banker and public debt manager for the government.** The RBI handles all the money, remittances, foreign exchange and banking transactions of the Central Government. Central Government also deposits its cash balance with the RBI.

71. Solution: (a)

Exp) Option a is the correct answer.

External debt is the amount that the Central Government borrows from international financing agencies and also includes bilateral loans from foreign governments, private commercial foreign banks and international investors who purchase government bonds for financing various development projects. These agencies include the World Bank, International Monetary Fund etc.

Statement 1 is correct: The external debt has to be repaid in the currency in which it was borrowed. Thus, debt raised by the Government of India in dollars must be repaid in dollars.

Statement 2 is incorrect: As per December 2023, General Government external Debt is 142.2 Billion U.S. Dollar out of total external debt of 648.2 Billion U.S. Dollar. External debt of the Non-financial corporations is the largest component of external debt of India at 251.5 Billion U.S. Dollar.

Statement 3 is incorrect: US dollar-denominated debt remained the largest component of India's external debt, with a share of 54.6 per cent at end-June 2024, followed by debt denominated in the Indian rupee (31.2 per cent), yen (5.4 per cent), SDR (5.1 per cent), and euro (2.9 per cent).

72. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct. Ways and Means Advances (WMA) are **short-term loan facilities** provided by the **RBI to the central and state governments.** These advances are meant to help the government **meet temporary mismatches between its expenditure and receipts,** ensuring smooth financial operations in the short term. Hence, **WMAs aren't a source of finance.**

Statement 2 is incorrect: Section 17(5) of the RBI Act, 1934 mandates that WMAs must be repaid within three months from the date of the advance. This short repayment period ensures that WMAs are used only for temporary cash flow mismatches and not for long-term financing.

Statement 3 is correct: The interest rate on WMAs is linked to the prevailing repo rate. This alignment ensures that the cost of borrowing under WMA reflects the monetary policy stance of the RBI, making it dynamic and market-relevant.

Important Tips

Additional facts about **Ways and Means Advances (WMA):**

The WMA scheme was **introduced in 1997** to help the government meet temporary mismatches in cash flow.

Limits for WMA are **mutually decided by the government and RBI,** and revised periodically.

There are **two types of WMA:**

Normal WMA: Standard loan facility **without collateral.**

Special WMA (Special Drawing Facility or SDF): Provided against **collateral of government securities** held by the state.

Interest rate for Special WMA is one percentage point lower than the repo rate.

73. Solution: (c)

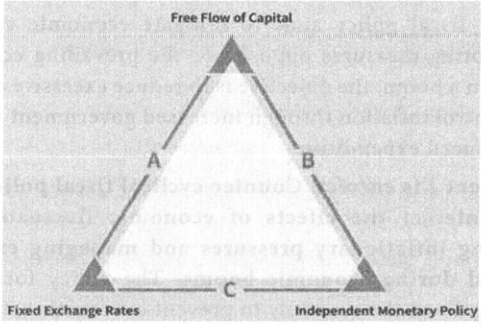
Exp) Option c is the correct answer.

The **"Impossible Trinity,"** also called the **Trilemma, is** a principle in economics which states that a country **cannot maintain, simultaneously, all three policy goals of**

Fixed exchange rate

Free flow of capital across country's borders (no restrictions on capital flows)

Independent monetary policy (control over domestic interest rates and inflation).



If a country tries to achieve all three, it creates economic instability.

If a country maintains a fixed exchange rate and allows free capital mobility, it cannot have an independent monetary policy because interest rates would need to align with global rates to maintain the fixed exchange rate.

If a country chooses independent monetary policy and free capital mobility, it cannot have a fixed exchange rate, as the currency would fluctuate due to market forces.

If a country opts for independent monetary policy and a fixed exchange rate, it must impose capital controls to restrict the flow of money in and out of the country.

74. Solution: (c)

Exp) Option c is the correct answer.

Fiscal consolidation describes government policy intended to **reduce deficits and the accumulation of debt** improving the balance between government revenues and expenditures.

Option 1 is correct. Reducing subsidies on non-essential goods **decreases government expenditure** and directly helps in **lowering the fiscal deficit.** This is a classic fiscal consolidation measure aimed at controlling unnecessary spending.

Option 2 is correct. By **broadening the tax base** and improving compliance, the government can **increase its revenue** without raising tax rates. This strengthens **fiscal discipline**. It enhances revenue generation, thereby supporting fiscal consolidation.

Option 3 is incorrect. While **welfare schemes** are essential for societal well-being, increasing such expenditures without corresponding revenue sources can **widen the fiscal deficit.** This is counterproductive to fiscal consolidation as it increases government spending.

Option 4 is correct. Reducing administrative costs minimizes wasteful government spending, directly contributing to **fiscal savings.** Austerity measures are a critical tool for promoting **fiscal consolidation.**

75. Solution: (a)

Exp) Option a is the correct answer.

The business cycle refers to the natural fluctuation of economic activity over time, characterized by periods of expansion (boom) and contraction (recession). During the boom phase, the economy experiences high growth, increased demand, and inflationary pressures. Counter-cyclical fiscal policy aims to mitigate economic volatility by adopting measures opposite to the prevailing economic trend. In a boom, the objective is to reduce excessive demand and control inflation through increased government revenue and reduced expenditure.

Statement I is correct: Counter-cyclical fiscal policy aims to counteract the effects of economic fluctuations by reducing inflationary pressures and managing excessive demand during economic booms. The policy focuses on slowing down the economy to prevent overheating, typically through reduced government spending or higher taxes. **Statement II is correct and correctly explains Statement I: Reducing government capital expenditure during a boom helps moderate aggregate demand** by limiting public investment. This prevents the economy from overheating by reducing the government's role in stimulating further economic activity, in line with counter-cyclical fiscal measures.

Fiscal policy (FP) stance	Recession (↓ GDP)	Expansion (↑ GDP)	Outcome
Pro-cyclical	Contractionary FP ↓ Govt. Expenditure or /and ↑ Taxes	Expansionary FP ↑ Govt. Expenditure or/and ↓ Taxes	Deepens recessions and amplifies expansions, thereby increasing fluctuations in the business cycle.
Counter-cyclical	Expansionary FP ↑ Govt. Expenditure or/and ↓ Taxes	Contractionary FP ↓ Govt. Expenditure or /and ↑ Taxes	Softens the recession and moderates the expansions, thereby decreasing fluctuations in the business cycle.

76. Solution: (a)

Exp) Option a is the correct answer.

The Fiscal Responsibility and Budget Management Act, 2003 (FRBMA) mandates that the central government must lay before both Houses of Parliament certain statements along with the Annual Financial Statement.

Options 1, 2 and 4 are correct. Section 3 of the FRBM Act provides that the Central Government shall lay in each financial year before both Houses of Parliament the following statements of fiscal policy along with the annual financial statement namely:—

(a) the Medium term Fiscal Policy Statement;

(b) the Fiscal Policy Strategy Statement;

(c) the Macro-economic Framework Statement;

(d) the Medium-term Expenditure Framework Statement.

Option 1: The Medium-term Fiscal Policy Statement is **presented to Parliament under Section 3(2) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.** It sets out three-year rolling targets for four specific fiscal indicators in relation to gross domestic product (GDP) at market prices — (i) Revenue Deficit, (ii) Fiscal Deficit, (iii) Tax to GDP ratio and (iv) Total outstanding Debt at the end of the year.

Option 2: The Fiscal Policy Strategy Statement is **presented to Parliament under Section 3(4) of the Fiscal Responsibility and Budget Management Act, 2003.** It outlines the strategic priorities of the government in the fiscal area for the ensuing financial year relating to taxation, expenditure, lending and investments, administered pricing, borrowings and guarantee.

Option 4: The Macro-economic Framework Statement is presented before Parliament at the time of Union Budget presentation under Section 3(5) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. The statement contains an overview of the economy. This includes an assessment regarding the GDP growth rate, fiscal balance of the central government and the external sector balance of the economy.

Option 3 is incorrect: Through Finance Act 2012, amendments were made to the Fiscal Responsibility and Budget Management Act, 2003 through which it was decided that in addition to the existing three documents, Central Government shall lay another document - the Medium Term Expenditure Framework Statement (MTEF) - before both Houses of Parliament. **It is to be laid in the Session immediately following the Session of Parliament in which the annual financial statement is laid and not along with the Budget Document.**

77. Solution: (b)

Exp) Option b is the correct answer.

Option b is correct: Fiscal stimulus consists of **attempts by governments or government agencies to financially stimulate an economy.** An economic stimulus is the use of monetary or fiscal policy changes to kickstart growth during a recession. Governments can accomplish this by using measures such as lowering interest rates, increasing

government spending and quantitative easing etc.

Option a is incorrect: Fiscal consolidation refers to the actions and policies adopted by the Governments (national and state levels) to **reduce their deficit** and **decrease the accumulation of debt.** The path adopted for fiscal consolidation is enumerated in the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.

Option c is incorrect: Central bank buying government securities from banks and other institutions is **part of expansionary monetary policy.** Though it has an effect on boosting growth and credit availability, it is a tool of monetary policy and not fiscal policy.

Option d is incorrect: Governments usually pursue various affirmative financial policies and actions to bring excluded and marginal groups in developmental ambit. This is done through various schemes and programs. But this is not a fiscal stimulus.

78. Solution: (a)

Exp) Option a is the correct answer.

Fiscal Deficit is the shortfall between the government's total expenditure and its total revenue (excluding borrowings) in a financial year. The level of fiscal deficit indicates the amount that the government needs to borrow to bridge this gap. Fiscal policy plays a key role in influencing the fiscal deficit by altering government spending and taxation.

Fiscal policy, which refers to the government's decisions on taxation, spending, and borrowing to influence the economy. There are two types of fiscal policy: (i) Expansionary fiscal policy, (ii) Contractionary fiscal policy.

Statement I is correct: When an economy goes through a recession, the fiscal deficit widens as economic activity slows, leading to reduced tax revenues from lower incomes, profits, and consumption. To counter this, the government adopts expansionary fiscal policies, such as increased spending on welfare and infrastructure and tax reductions, further increasing the deficit. **During a boom, higher economic activity boosts tax revenues, and contractionary** policies with reduced welfare spending narrow the fiscal deficit, maintaining fiscal stability.

Statement II is correct: During a recession, economic activity slows, reducing household incomes, corporate profits, and consumer spending. **This leads to a decline in direct (income and corporate) and indirect (GST) tax revenues.** Expansionary fiscal policies, such as tax cuts or subsidies, further lower collections. **Conversely, economic booms boost profits, incomes, and tax receipts.**

Statement II is the correct explanation for Statement I. Statement II clearly explains Statement I by showing how tax revenue fluctuations drive fiscal deficits. For example, during a recession, reduced incomes and profits lead to lower tax revenues, while increased welfare spending (e.g., unemployment benefits) widens the deficit. Conversely, during a boom, higher tax collections from rising incomes and profits, coupled with reduced welfare needs, narrow the fiscal deficit.

79. Solution: (a)

Exp) Option a is the correct answer.

Budget is an annual financial statement of a government's income (revenue) and expenditure. It can be of two primary types based on the relationship between revenue and expenditures.

Statement 1 is correct: When a budget proposes lesser expenditure than the receipts, then it is called a surplus budget. On the contrary, when it proposes higher expenditure than the receipts, it is known as a deficit budget.

Statement 2 is incorrect: Running a surplus budget means that, the government has additional money to spend at the end of the fiscal year. Hence, it reduces the need for borrowing through corporate or government bond issues. **This will reduce interest rates in the country, thus ultimately reducing borrowing cost in the country.**

80. Solution: (a)

Exp) Option a is the correct answer.

As the name suggests, zero-based Budget refers to planning and preparing the Budget from scratch or 'zero base'. It is different from a traditional Budget that is based on previous Budgets. The process of zero-based budgeting involves review and justification of each and every ministry's expenditure in order to receive funding at the beginning of each financial year.

Statement 1 is correct: As the name suggests, zero-based Budget refers to planning and preparing the Budget from scratch or **'zero base'**. It is different from a traditional Budget that is based on previous Budgets. The process of zero-based budgeting involves review **and justification of each and every ministry's expenditure in order to receive funding at the beginning of each financial year.**

Statement 2 is incorrect: Under the traditional budget system unspent money allocated to any ministry or department is allowed to be carried forward. **In a zero-based Budget, no balances are carried forward, or there are no pre-committed expenses**. Simply put, it is a procedure for preparing a Budget with zero prior bases. Much bigger gains will mount up when hundreds of crores will have to be justified across departments.

81. Solution: (a)

Exp) Option a is the correct answer.

During voting on demand for grants, the members of Parliament can discuss the details of the budget. They can also move motions to reduce any demand for a grant. Such motions are called as 'cut motion', which are of **three kinds**:

Pair 1 incorrectly matched: Policy Cut Motion represents the disapproval of the policy underlying the demand. It states that the amount of demand be reduced to Re 1 (not 100 Rupees). The members can also advocate an alternative policy.

Pair 2 correctly matched: Economy Cut Motion represents the economy that can be affected in the proposed expenditure. It states that the amount of the demand be reduced by a

specified amount (which may be either a lumpsum reduction in the demand or omission or reduction of an item in the demand).

Pair 3 incorrectly matched: Token Cut Motion is used to voice a specific grievance that is within the sphere of responsibility of the Government of India. It reduces the amount of the demand by Rs 100.

82. Solution: (a)

Exp) Option a is the correct answer.

Government/Public Debt is the money owed by the Union government. It comprises G-secs, Treasury bills, shot term borrowings, external assistance. While non-government debt comprises of all the loans raised by private companies, corporate sector and individuals such as home loans, auto loans, personal loans.

Statement 1 is correct: Public Debt in India includes both Internal and External Debt incurred by the Central Government.

Statement 2 is incorrect: Public Debt Management Cell (PDMC) has been established as an interim arrangement before setting up an independent and statutory debt management agency, namely the Public Debt Management Agency (PDMA). PDMA is yet to be established. Currently RBI deals with Internal public debt management of Central Government. The Reserve Bank draws these necessary statutory powers for debt management from Section 21 of the Reserve Bank of India Act, 1934.

Statement 3 is incorrect: Department of Economic Affairs under Ministry of Finance is responsible for management of external debt for Central Government (not the Reserve Bank of India).

83. Solution: (b)

Exp) Option b is the correct answer.

Fiscal marksmanship essentially refers to the **accuracy of the government's forecast of fiscal parameters** such as revenues, expenditures and deficits etc. In other words, if the difference between what the government projected in the Budget and the actual figures a year later is large then it reflects poor fiscal marksmanship. It helps determine the credibility of the budget numbers of the government.

84. Solution: (a)

Exp) Option a is the correct answer.

Fiscal deficit is a financial situation when the balance of the government's total receipts (i.e., revenue + capital receipts) and total expenditure (i.e., revenue + capital expenditures) turns out to be negative. This concept has been used in India since FY 1997-98.

Statement 1 is correct: A government deficit is said to be monetised when the central bank buys bonds or securities issued by the government to cover the government's fiscal deficit. Generally, it is done by the purchase of the government issued bonds by the central bank i.e., the RBI. It was adopted in FY 1997-98. It is shown in the quantitative as well as a per cent of GDP form in a financial year.

Statement 2 is incorrect: RBI finances the government expenditures by subscribing to G-secs (long term) and Treasury bills (short terms). Earlier RBI had to compulsorily subscribe to these government securities as an integral part of the ways and means advances. However, since 1997, RBI stopped being a primary subscriber for the Treasury bills (rather invests in them voluntarily). It was done through an agreement between the central government and the RBI. Similarly, the compulsion for RBI to subscribe the G-secs was dropped in 2007. Now RBI just manages the borrowing programmes of the government.

85. Solution: (a)

Exp) Option a is the correct answer.

Fiscal deficit is a financial situation when the balance of the government's total receipts (i.e., revenue + capital receipts) and total expenditure (i.e., revenue + capital expenditures) turns out to be negative. The act of financing/supporting a deficit budget by a government is known as deficit financing.

Statement 1 is correct: Deficit financing can widen income inequality. This is because of the fact that it creates excess purchasing power. But due to inelasticity in the supply of essential goods, excess purchasing power of the public acts as an incentive to price rise. During inflation, it is said that rich become richer, and the poor become poorer.

Statement 2 is correct: The need for deficit financing appears when the government needs to spend more money than it is expected to earn in a particular period, to go for a desired level of growth and development. This rise in aggregate expenditure may in turn increase aggregate demand and hence pose the risk of inflation in the country.

Statement 3 is incorrect: State governments finance their fiscal deficits mostly by the revenue generated from tax and non-tax revenue along with central government's devolution of funds. **Treasury Bills (T-Bills) can be issued in the market only by the central government and not by the state governments.** However, state governments can issue Government securities (G-secs) to meet their fiscal deficit targets by borrowing from the market.

86. Solution: (d)

Exp) Option d is the correct answer.

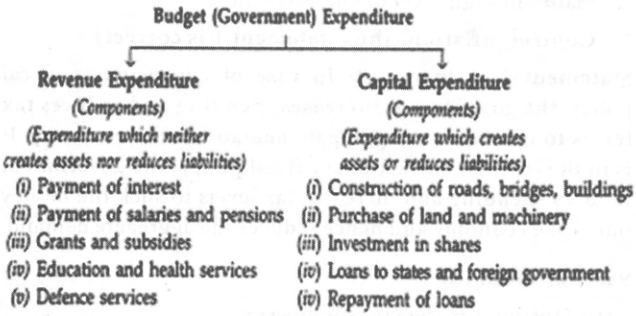
The expenditures which are essential for the normal running of the government are called as the revenue expenditure. The basic identity of the revenue expenditure is that they are of consumptive kind and do not involve the creation of productive assets. Following expenditures generally fall under the category of revenue expenditures in India:

1. **Interest payment by the government on the internal and external loans.**
2. Salaries, pensions, and provident fund paid by the government to its employees.

3. **Subsidies forwarded to all sectors by the government.**
4. Defence expenditures by the government.
5. Postal deficits of the government.
6. Law and order expenditure.
7. Expenditure on social services.
8. **Grants given by the government to Indian states and foreign countries**

Hence, options 1, 3 and 4 are correct.

Option 2 and 5 are incorrect as they form a part of the capital expenditure of a state/government.



87. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct. The Medium-term Fiscal Policy Statement **sets out three-year rolling targets** for specific fiscal indicators. These indicators include the following:

(i) fiscal deficit as a percentage of GDP;

(ii) revenue deficit as a percentage of GDP;

(iii) primary deficit as a percentage of GDP;

(iv) tax revenue as a percentage of GDP;

(v) non-tax revenue as a percentage of GDP; and

(vi) Central Government debt as a percentage of GDP.

Statement 2 is correct. The Medium-term Fiscal Policy Statement is presented as part of the General Budget. It is presented to Parliament under Section 3(2) of the **Fiscal Responsibility and Budget Management (FRBM) Act, 2003.**

Statement 3 is correct. The **Macro-Economic Framework Statement is** presented to Parliament as mandated by the Fiscal Responsibility and Budget Management Act, 2003. It **makes an assessment of the growth prospects of the economy** with specific underlying assumptions. On the contrary, Medium-term Fiscal Policy Statement examines whether revenue expenditure can be financed through revenue receipts on a sustainable basis and how productively capital receipts including market borrowings are being utilised.

Important Tips

Apart from Medium-term Fiscal Policy Statement, two other statements are presented as part of FRBM Act, 2003:

- The **Fiscal Policy Strategy Statement** sets the priorities of the government in the fiscal area, examining current policies and justifying any deviation in important fiscal measures.
- The **Macroeconomic Framework Statement** assesses the prospects of the economy with respect to the GDP growth rate, fiscal balance of the central government and external balance.

88. Solution: (d)

Exp) Option d is the correct answer.

The outcome budget is a progress card on what various departments have done with the amount assigned in the previous annual Budget. It measures the outcomes of all government programmes and whether the money has been spent for the purpose it was sanctioned. To enhance the cooperation of line ministries and implementing actors, a robust monitoring mechanism based on Output-Outcome framework has been developed recently in India.

Statement 1 is incorrect: Getting accurate and relevant outcome-based data involves complicated methods and involves a lot of technicalities so this budgeting method is generally complicated and requires much technical skills. Hence the statement is incorrect.

Statement 2 is incorrect: The Outcome budgeting in India was first introduced in 2005-06 budget (not 1969).

Statement 3 is incorrect: Outcome based budgeting will result in additional costs as it requires a higher amount of manpower, technical skills and real time data monitoring and analysis. So, when compared to traditional budgeting, outcome-based budgeting will result in increased costs.

89. Solution: (c)

Exp) Option c is the correct answer.

Public Financing in India can be categorised into two heads Revenue and Capital based on the income generation:

Statement 1 is incorrect: Capital receipts are receipts that create liabilities or reduce financial assets. They also refer to incoming cash flows. Capital receipts can be both non-debt and debt receipts. Loans from the general public, foreign governments and the Reserve Bank of India (RBI) form a crucial part of capital receipts. Other examples of capital receipts are disinvestment, recovery of loans etc.

Statement 2 is incorrect: External grants are considered as a revenue receipt (non-tax revenue of the government) and not as capital receipt, as they do not create liabilities for the government.

90. Solution: (b)

Exp) Option b is the correct answer.

Budget is an annual financial statement of a government's income (revenue) and expenditure. Revenue deficit and

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Effective Revenue deficit form major part of the Union Budget which reflect the pattern of government expenditure.

Statement 1 is incorrect: Effective Revenue Deficit is a deficit obtained by excluding those revenue expenditure of the Government which were done in the form of GoCA (grants for creation of capital assets) from the Revenue Deficit. Whereas the difference between fiscal deficit and the interest liabilities of the government is known as **Primary Deficit.**

Statement 2 is correct: Effective Revenue Deficit (ERD) was introduced in the Union Budget 2011-12, on the recommendation of the Rangarajan committee on the public expenditure. It came as an additional fiscal indicator prescribed by an amendment to the FRBM Act by the Finance Act, 2012 that grants statutory status on the concept of effective revenue deficit.

91. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: There can be a fiscal deficit without a Revenue deficit under following conditions:

a) when revenue budget is balanced but capital budget shows a deficit or

b) when revenue budget is in surplus but deficit in capital budget is greater than the surplus of revenue budget.

Statement 2 is correct: Fiscal deficit refers to the excess of government expenditures over its receipts exclusive of borrowing. Thus, fiscal deficit points to borrowing requirements of the government to cope with its expenditure of the year.

92. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: The FRBM Act was enacted in 2003 and in 2016, the government felt that a lot of time had elapsed since the act had come into force and there was a need to review it. **The FRBM Review Committee was formed in 2016 under the chairmanship of a former Revenue and Expenditure Secretary Nand Kishore Singh.** The committee submitted its report in 2017. But there is not any such provision in the FRBM Act to form such a Review Committee every five years from the enactment of Act.

Statement 2 is correct: Public debt to GDP ratio should be considered as a medium-term anchor for fiscal policy in India. **The committee recommended that the combined debt-to-GDP ratio of the Centre and states should be brought down to around 60 per cent** (comprising 40 per cent for the Centre and 20% for states).

Statement 3 is correct: Formation of Fiscal Council to advise the government: The Committee advocated formation of institutions to ensure fiscal prudence in accordance with the FRBM spirit. It recommended setting up an **independent Fiscal Council**. The Council will provide several advisory functions, one of which would be to advise the Central Government on whether conditions exist to permit a deviation for invocation in the escape or buoyancy clause.

93. Solution: (a)

Exp) Option a is the correct answer.

Fiscal policy is defined as changes in government expenditures and taxes that are designed to achieve macroeconomic policy goals such as growth, employment, investment, etc. There are three components of the Fiscal Policy of India: **Government Receipts, Government Expenditure and Public Debt.** Thus, it **involves both income and expenditure by the government.**

Statement 1 is corrcct: The main objectives of government's fiscal policy are:

1. Economic Growth (Stabilisation of business cycles)
2. maintain high level of employment
3 **Control inflation (thus statement 1 is correct)**

Statement 2 is incorrect: In case of expansionary fiscal policy, **the government increases spending and reduces tax levels to increase the aggregate demand in the economy**. It is in the case of contractionary fiscal policy; the government reduces spending and increases tax levels to suck the money out of the economy and hence reduces the aggregate demand.

94. Solution: (d)

Exp) Option d is the correct answer.

Statement a is correct. Transfer payment is the payment by the government in grants, allowances, pensions etc to people such as pensioners, widows, sick etc.

Transfer payments are a one-way payment of money for which no good or service is received in exchange.

Statement b is correct. Transfer payment is aimed at redistribution of income. Government use such payments as means of income redistribution under social welfare programs. It includes payments such as social security, old age or disability pensions, student grants, unemployment compensation, and so on. There is a need to differentiate them from subsidies. Transfer payments are a part of personal income.

Statement c is correct. The most well-known form of transfer payment is likely Social Security payments, whether for retirement or disability. These are considered transfer payments even though most recipients have paid into the system during their working lives. Similarly, unemployment payments are also considered transfer payments.

Statement d is incorrect. Subsidies paid to exporters, farmers, manufacturers are not considered transfer payments because they are linked to a commodity transaction.

2.2. Taxation in India

95. Solution: (a)

Exp) Option a is the correct answer

Tax buoyancy refers to the responsiveness of tax revenue growth to changes in GDP or national income of the country. A tax buoyancy greater than 1 signifies that tax revenues grow at a faster rate than the growth in national income.

Tax Buoyancy = Change in tax revenue/ Change in GDP

96. Solution: (b)

Exp) Option b is the correct answer.

Option b is correct: Tax expenditure refers to the revenue foregone by the government due to special tax provisions, such as exemptions, deductions, credits, preferential rates, or deferrals, that reduce the tax liability of individuals or businesses. These provisions are designed to support specific economic activities, social policies, or industries but result in lower tax collection.

As exemptions increase complexity and distort the tax system, the Government has started withdrawing them in India since the past few years. Accordingly, tax expenditure has declined from the high level of over 50 per cent in 2006-07 to 35 per cent in 2021-22.

97. Solution: (a)

Exp) Option a is the correct answer.

Pair 1 is incorrect: Tax inversion Pricing involves a restructuring that shifts the multinational's legal residence/ headquarter in a low tax country. Generally this involves little or no shift in actual economic activity, but can substantially reduce the company's tax bill.

Pair 2 is incorrect: Round tripping is a financial act **under which one company sells assets to another for the sake of generating/showing higher sales and later buys back the assets.** Such practices are normally done by individuals/ companies by creating shell companies. Under it, the money (mostly black money) leaves a country of origin through various channels such as over-invoicing (showing higher prices of goods in bills), payments to shell (i.e. fake) companies located overseas, hawala route, etc. After remaining overseas for some time (known as the cooling period), the fund returns back to the country of origin (as white money)—completion of the trip.

Pair 3 is correct: Base Erosion and Profit Shifting (BEPS) is a kind of corporate tax planning under which the multinational companies (MNCs) **'shift' their profits from higher-tax countries 'eroding' the 'tax base' of the higher tax countries.** In practice, companies make profits in one country and shift them to other which has lower tax rates and take advantage of lower tax payments.

98. Solution: (c)

Exp) Option c is the correct answer.

Pigouvian tax, named after the British economist Arthur C. Pigou, is a tax imposed on economic transactions that create negative externality (i.e. a cost which is borne by those who were not part of the transaction).

Options 1 and 3 are correct: Carbon tax, fuel cesses and all environmental taxes are examples that are imposed as the social cost of such private transactions and are not added to the selling prices of such products.

Option 2 is correct: Tobacco tax is an example of Pigouvian taxes. It addresses the strain on public healthcare systems caused by tobacco consumption.

99. Solution: (b)

Exp) Option b is the correct answer.

The GST Council was established by the 101st Constitutional Amendment Act, 2016 under Article 279A. Hence, GST Council is a constitutional body . It is a federal institution designed to ensure cooperation between the Centre and the States in implementing GST policies.

Statement 1 is incorrect: According to Article 279A(2) of the Constitution of India, the **Union Finance Minister is the Chairperson** of the GST Council, while the Union Minister of State in charge of Revenue or Finance is a member of the Council. The **Vice-Chairman of the Council is not a fixed position,** but rather elected by the members from amongst themselves. Thus, the Union Minister of State in charge of Revenue **does not automatically become the Vice-Chairman** of the GST Council.

Statement 2 is correct: Currently, **petroleum crude, high-speed diesel, motor spirit (petrol), natural gas, and aviation turbine fuel (ATF) are not under GST,** as these items continue to be taxed under the **previous indirect tax regime.** However, the **GST Council has the power** to decide when GST should be implemented on these products.

Statement 3 is correct: Under **Article 279A** of the Constitution, the **GST Council has the power to establish a dispute resolution mechanism** to adjudicate conflicts that may arise between:

1. The **Government of India and one or more States**
2. The **Government of India and multiple States on one side, and one or more other States on the other side**
3. **Two or more States arising out of the recommendations of the Council or implementation thereof.**

This provision ensures **cooperative federalism** in the functioning of GST by providing a formal mechanism to resolve intergovernmental disputes regarding GST recommendations and implementation.

100. Solution: (b)

Exp) Option b is the correct answer.

Tax rationalization refers to the process of **simplifying and streamlining the tax system** by reducing the number of tax rates, exemptions, and deductions. The **impacts** of tax rationalization can be **both positive and negative,** and they can vary depending on the specific context and goals of the tax reform. GST implementation is an example of tax Rationalization in India.

The **possible impact of tax rationalization** are as follows:

Statement a is *correct*: Simplifying the tax system can make it easier for taxpayers to understand their tax obligations and comply with them. So, tax rationalization can **reduce** the incidence of **tax evasion** and **improve revenue collection,** which can ultimately benefit the economy.

Option b is incorrect: A simpler tax system can reduce the administrative burden on businesses and individuals, which can lead to increased economic efficiency.

Option c is correct: It can lead to **redistribution of the tax burden** among different sections of peoples.

Option d is correct: Tax rationalization can cause **short-term disruptions** to the economy as taxpayers and businesses adjust to the new tax system. This can lead to uncertainty and volatility in the short term, but **the long-term benefits may outweigh the short-term costs.**

101. Solution: (c)

Exp) Option c is the correct answer.

Value Added Tax (VAT) is a tax which is collected at every stage of value addition, either during production or distribution. It also refers to a tax which is imposed by the state governments in India.

Statement-I is correct. VAT eliminates cascading by providing for set off for taxes paid on inputs and only taxing value addition, tax on sales are shown separately while issuing tax invoice or calculating tax liability.

Cascading effect of taxes occurs when a tax is imposed on every stage of production leading to multiple taxes on the same goods and services. This, thus, increases the final price of the goods or services.

Statement-II is incorrect. VAT is a multi-point tax on value addition which is collected at different stages of sale with a provision for set-off for tax paid at the previous stage/tax paid on inputs. VAT works on the principle that when raw material passes through various manufacturing stages and manufactured product passes through various distribution stages, tax should be levied on the 'Value Added' at each stage and not on the gross sales price. This ensures that the same commodity does not get taxed again and again and there is no cascading effect. In simple terms, 'Value Added' means difference between selling price and purchase price. **Hence VAT is multi-point tax, with provision for granting set off (Credit) of the tax paid at the earlier stage.** Thus, tax burden is passed on when goods are sold. This process continues till goods are finally consumed. Hence, VAT is termed as 'consumption type' tax. VAT works on the principle of 'tax credit system'.

102. Solution: (a)

Exp) Option a is the correct answer.

Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) are fundamental components of Indian taxation. TDS represents the tax deducted from payments made when the amount exceeds a set limit. Conversely, TCS refers to the tax collected by sellers during transactions with buyers.

Statement 1 is correct. TDS covers a wide range of income sources, including salaries, rent, professional fees, brokerage, commission, interest, dividends, lottery winnings, gambling winnings, prize money, insurance commission, and payments to contractors. Conversely, **TCS is applicable on sale of particular goods and services** like timber, scrap, mineral ore, e-commerce transactions, foreign currency sales, and remittance payments.

Statement 2 is incorrect. For **TDS** the **payer (e.g., employer, service availing party) is responsible for deducting tax** from the payment before transferring it to the recipient. For example: An employer deducts TDS from an employee's salary. Whereas for **TCS the seller** (e.g., a business selling scrap or timber) **collects tax** from the buyer at the time of sale.

Statement 3 is correct. TDS covers payments such as rent, salaries, interest whereas TCS covers the sale of goods such as, forest products, minerals and others.

The primary purpose of **TDS** is to ensure that tax is deducted at the point where **income** is generated (e.g., salary, professional fees, or interest). This ensures that the government collects tax revenue in advance and reduces tax evasion. Whereas the purpose of **TCS** is to collect tax at the point where a **transaction** occurs (e.g., sale of goods like alcohol or scrap). This ensures that tax liabilities are accounted for on specific transactions.

103. Solution: (a)

Exp) Option a is the correct answer.

Input Tax Credit (ITC) is a fundamental feature of the **Goods and Services Tax (GST)** system, which allows businesses to **offset the tax paid on inputs (raw materials, goods, or services used for production) against the tax liability on their output (finished products or services).** This mechanism ensures that **tax is paid only on the value addition at each stage of production and prevents the cascading effect of taxation**.

Statement I is correct An inverted duty structure arises when the GST rate on inputs (raw materials) is higher than the GST rate on the final output (finished goods). **Since businesses pay more tax on inputs than what they collect on finished goods, they end up accumulating excess ITC** that cannot be fully utilized to offset their tax liability. In a regular tax structure, ITC is smoothly utilized against output tax, but under an inverted duty structure, the lower output tax liability restricts businesses from utilizing the full ITC, leading to accumulation.

Statement II is correct. An inverted duty structure specifically refers to a tax scenario where the **GST rate on inputs (e.g., raw materials) is greater than the GST rate on finished products.** This leads to an accumulation of unutilized ITC.

Statement II is the correct explanation for statement I. A higher tax on inputs compared to the final product (i.e., an inverted duty structure) creates an imbalance where ITC cannot be fully utilized leading to **ITC accumulation.**

104. Solution: (b)

Exp) Option b is the correct answer

The Arm's Length Principle (ALP) is a fundamental rule in transfer pricing, ensuring fairness in transactions between related companies, such as subsidiaries of multinational corporations (MNCs). ALP requires that prices in transactions between related entities be equivalent to those charged between independent companies in an open market.

Statement 1 is incorrect. Companies **artificially set intra-group transaction prices** to minimize tax liabilities.

However, the **Arm's Length Principle ensures that related companies cannot set arbitrary prices** if they deviate from market standards. For example, if an MNC sells goods to its subsidiary at **₹50 per unit** but to independent buyers at **₹100 per unit**, this **mispricing lowers profits in high-tax countries. Under ALP, the price must be consistent across all buyers, related or unrelated.**

Statement 2 is correct: It is true that the **Arm's length transactions and Arm's length price is used as one of the effective means to curb the practise of tax evasion** by Multinational companies also called as the practise of Base Erosion and Profit Sharing. MNCs shift their profit base from one country to other countries (usually tax havens) to reduce their tax liability. Arm's length transaction by **determining price in an uncontrolled manner** (based on the interest of seller and buyer) aims to curb the tax evading practice of MNCs.

Statement 3 is incorrect: The Income Tax Act, 1961 defines arm's length price as "a price to be applied in a transaction between persons in uncontrolled conditions. Also, the same **act provides for the determination of arm's length price** based on the **Most Appropriate Method** which is arrived at after considering the nature and class of international transactions.

105. Solution: (a)

Exp) Option a is the correct answer.

Statement-I is correct: A proportional tax is one in which the **rate of taxation remains constant even as a tax base changes.** Thus, in this case, the government collects a constant fraction of income in the form of taxes. In India, the **proportional tax acts as an automatic stabilizer** because it adjusts automatically to changes in the level of consumers.

Statement-II is correct and is the correct explanation of Statement-I: The proportional income tax acts as an automatic stabiliser – a shock absorber – **because it makes disposable income, and thus consumer spending, less sensitive to fluctuations in the Gross Domestic Product (GDP).**

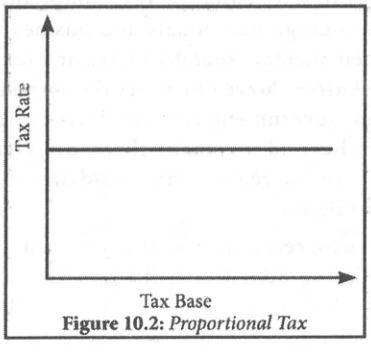


Figure 10.2: *Proportional Tax*

When GDP rises, disposable income also rises but by less than the rise in GDP because a part of it is siphoned off as taxes. This helps limit the upward fluctuation in consumption spending.

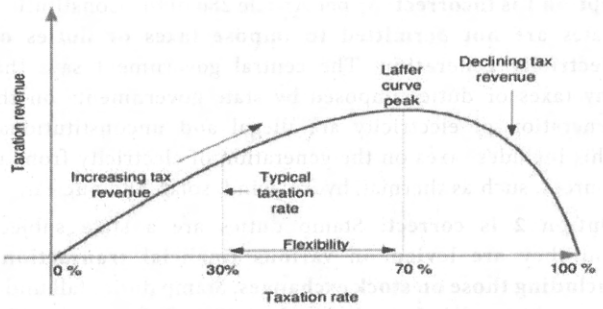
During a recession when GDP falls, disposable income falls less sharply, and consumption does not drop as much as it otherwise would have fallen had the tax liability been fixed. This reduces the fall in aggregate demand and stabilises the economy.

106. Solution: (d)

Exp) Option d is the correct answer.

Option d is correct: The **curve described in the passage is the Laffer Curve**, which illustrates the **relationship between tax rates and tax revenue**. It posits that tax revenue will increase with higher tax rates up to an optimal point.

However, beyond this point, higher tax rates can discourage economic activity such as work, investment, and production, ultimately leading to a decline in tax revenue. This concept is widely used in economics to explain how excessively high tax rates can be counterproductive for generating government revenue.



Laffer Curve

Option a is incorrect: The **Engel Curve** shows the **relationship between household income and expenditure on a particular good.** It indicates how household expenditure on a specific good changes as income changes. It states that, as income increases, the proportion of income spent on essential goods like food might decrease, while spending on luxury items might increase.

Option b is incorrect: The **Kuznets Curve** hypothesizes the relationship **between economic growth and income inequality** over time. It is shaped like an **inverted "U."** In the early stages of economic development, inequality rises due to industrialization and urbanization. However, as an economy matures and wealth distribution improves, inequality tends to decline.

Option c is incorrect: The **Lorenz Curve** is a graphical representation of **income or wealth distribution** within an economy. It plots the **cumulative percentage of total income** received by **cumulative percentages of the population**, starting from the poorest to the richest.

If income were distributed equally, the Lorenz Curve would be a **45-degree line of equality**. The more it bows away from this line, the greater the income inequality. The area between the Lorenz Curve and the line of equality is used to calculate the **Gini Coefficient**, a measure of inequality.

107. Solution: (c)

Exp) Option c is the correct answer.

Shifting of tax refers to the process of transferring the burden of a tax from one party to another.

Forward shifting of tax occurs when the **tax burden is transferred from the producer or seller to the consumer.**

In this case, the seller raises the price of goods or services to account for the tax imposed. For example, if a sales tax is imposed or increased on a product, the seller may raise the price, and the consumer ultimately bears the cost of the tax through higher prices.

This contrasts with **backward shifting of tax**, where the **tax burden is shifted from the consumer to the seller or producer.** In this case, the seller or producer chooses to absorb the tax burden, often due to the fear of a decline in demand.

108. Solution: (b)

Exp) Option b is the correct answer.

India has a well-developed three tier taxation structure based on three levels of government: central, state and the local government (such as panchayats and municipalities).

Option 1 is incorrect: As per Article 286 of the Constitution, states **are not permitted to impose taxes or duties on electricity generation**. The central government says that any taxes or duties imposed by state governments on the generation of electricity are illegal and unconstitutional. This includes taxes on the generation of electricity from all sources, such as thermal, hydro, wind, solar, and nuclear.

Option 2 is correct: Stamp duties are a state subject, and they **are levied on various financial transactions, including those on stock exchanges**. Stamp duties fall under the purview of the state list in the Indian Constitution. This means that state governments have the authority to legislate and collect stamp duties within their respective territories.

Option 3 is correct: States can impose taxes **on luxuries, including entertainments, amusements**, betting, and gambling, as per Entry 62 of the State List.

Option 4 is correct: Only **state governments can levy taxes on agricultural income in India.** The Constitution of India's State List, Entry 46, gives state governments the power to enact legislation for taxing agricultural income.

Option 5 is incorrect: Taxes on the sale or purchase of newspapers are under the Union Government's authority, as per Entry 92 of the Union List.

109. Solution: (a)

Exp) Option a is the correct answer.

Indirect taxes are the taxes where the impact is on a person who can shift the burden of taxation so that the incidence is on another person. In common understanding, indirect taxes are those taxes which are levied on commodities and services which are paid by people through their consumption expenditure. Indirect taxes have various demerits that can affect both the economy and society.

Statement 1 is correct: **Indirect taxes tend to increase the cost of essential commodities such as food, fuel, and healthcare**. As a result, individuals, especially those with lower incomes, have to spend more on these necessities, leaving them with less money for savings or investment. This can lead to lower levels of savings in the economy and impact long-term economic growth.

Statement 2 is incorrect: Indirect taxes are generally harder to evade because they are included in the price of goods and services and collected at the point of transaction.

110. Solution: (b)

Exp) Option b is the correct answer

Statement 1 is incorrect: The proceeds from the cesses collected are deposited in Consolidated Fund of India in terms of the Article 266 of the Constitution of India.

Statement 2 is correct: Unlike a cess, **in the case of a surcharge, there is no need to stipulate the purpose at the time of levy** and it is the **discretion of the Union to utilise the proceeds of the surcharges for whichever public purpose** it deems fit.

Statement 3 is correct: Owing to exceptions provided under Article 270, **the proceeds from cesses and surcharges need not be shared with State Governments**. Both cess and surcharges are exceptions under Article 270. The revenues collected from both these sources are at the exclusive disposal of the Union Government.

111. Solution: (c)

Exp) Option c is the correct answer.

Tax compliance refers to the degree to which a taxpayer complies (or fails to comply) with the tax rules of his/her country, for example by declaring income, filing a return, and paying the tax due in a timely manner.

Option a is incorrect: Encouraging cashless transactions promotes transparency in transactions, thus making it harder for individuals to **understate their revenue and improving tax compliance**. Hence the Government of India may adopt this measure to improve tax compliance.

Option b is incorrect: A simplified tax filing process makes tax compliance easier and less time-consuming, encouraging more people to participate. This was exemplified by the Government of India's effort in introducing the 'GST Composition scheme' in the realm of Goods and Service Tax filing to improve tax compliance.

Option c is correct: The Government of India is unlikely to raise tax rates to enhance tax compliance, as higher rates may discourage individuals and businesses from fully disclosing their income, thereby increasing tax evasion. For example, the **Laffer Curve** illustrates the correlation between tax rates and government revenue levels, suggesting that **raising taxes beyond a certain threshold could diminish revenue due to increased tax avoidance behavior and reduced compliance.**

Option d is incorrect: Introducing legal provisions to curb money laundering activities will improve tax compliance. For instance, the Government of India has **'Prevention of Money Laundering Act, 2002'** in place to curb the money laundering activities and **to improve tax compliance**.

As concluded in a 2012 IMF policy paper, "An effective use of the AML framework should enhance compliance with tax laws by increasing the probability of detection of tax evaders and by imposing deterring sanctions and increasing revenues"

112. Solution: (a)

Exp) Option a is the correct answer.

When an individual sells an asset for more than its original purchase price, the difference is considered a capital gain. The tax paid on such gain **is Capital gains tax.** In India, the taxation of capital gains is classified into two categories: **short-term capital gains** (STCG) and **long-term capital gains** (LTCG), based on the holding period of the asset.

Statement 1 is incorrect: Capital Gains Tax in India is governed by the provisions of the **Income Tax Act, 1961.** This Act outlines the rules for taxing income from the sale of capital assets. The Act specifies how both short-term and long-term capital gains are taxed.

Statement 2 is correct: Capital Gains Tax applies to the **profits arising from the sale of both movable and immovable assets.** Movable assets include items like stocks, bonds, jewellery, and other personal property, while immovable assets include land, buildings, and real estate.

Statement 3 is incorrect: Short-term capital gains tax is levied on profits from assets **held for 24 months or less, not 10 years.**

As per the changes introduced in Budget 2024, the holding periods for classifying capital gains as short-term or long-term have been revised.

The **holding period for all listed assets,** such as listed stocks, listed bonds, equity ETFs, etc, is **12 months to qualify for long-term capital gains.**

For **all other assets,** such as gold, real estate, unlisted shares, etc, the **holding period for long-term capital gains is 24 months.**

113. Solution: (a)

Exp) Option a is the correct answer.

Option 1 is incorrect: Solar panels are indeed **covered under GST,** currently at a rate of 12%. This is because Solar panels are classified under **renewable energy devices and spare parts,** which the GST categorizes and taxes.

Option 2 is correct: Alcoholic liquor for human consumption is **not covered under GST.** It is explicitly excluded from the GST framework as per **Article 366(12A)** of the Constitution and the GST Act. Instead, it is taxed by state governments through state excise duties and VAT.

Option 3 is incorrect: Medical equipment, such as stents, **surgical instruments,** diagnostic kits, implants, etc, are covered under GST. These items are taxed at varying rates, depending on the type of equipment.

Option 4 is correct: All petroleum products, including **Aviation turbine fuel** (ATF), **are not covered under GST.** The ATF remains under the purview of the central excise duty and state VAT, which leads to varying rates across states. There are ongoing discussions about bringing it under GST in the future to benefit the aviation sector.

Option 5 is incorrect: Tobacco products, including cigarettes, cigars, and other manufactured tobacco items, are **covered under the GST,** attracting the **highest GST rate of 28%** (except for tobacco leaves - GST rate for tobacco leaves is 5%). In addition to the GST, the products are subject to the National Calamity Contingent Duty (NCCD) and various cess rates.

114. Solution: (a)

Exp) Option a is the correct answer.

An **E-way bill** is a document required under the Goods and Services Tax (GST) system for the movement of goods. It is an **electronic document,** containing details of the goods, their consignor, consignee, and transporter.

Statement 1 is correct: An E-way bill shall be valid for a specific period of time. The validity of e-way bill depends on the distance to be travelled by the goods. For a distance of less than 100 Km the e-way bill will be valid for a day from the relevant date. For every 100 Km thereafter, the validity will be additional one day from the relevant date.

Statement 2 is correct: Certain goods are exempt from the requirement of an E-way bill for transportation, even if the consignment value exceeds ₹50,000. These goods include items such as **jewelry,** goldsmiths' and silversmiths' wares, **natural gas,** alcoholic liquor for human consumption, etc.

Statement 3 is incorrect: An **E-way bill** is **not required** for **goods being transported within the same state** if the **distance between the consignor and the consignee** is up to **50 km.** This exemption applies to intra-state movements and is intended to simplify compliance for short-distance transportation.

However, for **distances exceeding 50 km,** an **E-way bill becomes mandatory for both intra-state and inter-state trade,** provided the consignment value exceeds ₹50,000.

115. Solution: (c)

Exp) Option c is the correct answer.

The **GST Composition Scheme** is a simplified tax scheme designed for small businesses to reduce their compliance burden under the Goods and Services Tax (GST) framework. It allows eligible businesses to **pay GST at a fixed percentage of their turnover, rather than the regular tax rates.**

Statement 1 is incorrect: The **GST Composition Scheme** simplifies compliance for small taxpayers by allowing them to pay tax at a fixed percentage of their turnover. However, not every GST registered person can opt for this scheme.

Businesses engaged in **goods** can **opt for the GST Composition scheme** if their **annual turnover** does not exceed **₹1.5 crore** (₹75 lakh for special category states), **not ₹5 crore.**

For providers of **services or mixed supply for goods and services (excluding restaurants),** the turnover threshold is set at **₹50 lakh.** The **restaurants** fall under a special category and have a turnover threshold of **₹1.5 crore,** similar to businesses dealing in goods.

Statement 2 is correct: Businesses under the GST Composition Scheme **cannot issue tax invoices** as they are **not authorized to collect GST from their customers.** Instead, they issue a "**bill of supply,**" which is a simpler

document that **does not include any GST tax rates.** The tax liability for these businesses is calculated as a percentage of their turnover, and the GST is paid directly by the business to the government.

Statement 3 is correct: Businesses under the **Composition Scheme cannot claim Input Tax Credit (ITC) on their purchases.** ITC allows businesses to reduce the tax they have paid on inputs (purchases) from the tax they need to pay on outputs (sales).

Since composition dealers **pay tax at a lower, fixed rate on their turnover** and do not collect GST from their customers, they are **not eligible to claim ITC**. This ensures that the benefit of lower compliance is offset by the non-availability of ITC.

Statement 4 is incorrect: Businesses registered under the **GST Composition Scheme are not required to file GST returns on a monthly basis**. Instead, **they must file quarterly returns** using GSTR-4, which includes details of their turnover and the tax payable. This quarterly filing reduces the compliance burden for small businesses compared to **regular GST taxpayers**, who are **mandated to file GST returns on a monthly basis.**

In addition to the quarterly returns, businesses under the Composition Scheme must file an **annual return (GSTR-9A)** to summarize their annual turnover and tax details.

116. Solution: (c)

Exp) Option c is the correct answer.

Statement-I is correct: The **Tax-to-GDP ratio** is a measure of the **total tax revenue** collected by a government as a **percentage of its Gross Domestic Product** (GDP). In India, this ratio has historically been low compared to other major economies. As of recent data, India's tax-to-GDP ratio hovers around **11-12%**, which is significantly **lower than the OECD average**, which is **about 34%.**

Statement-II is incorrect: India's direct to indirect tax ratio is around **55:45**, which is **relatively higher than many other countries**, including OECD economies where the ratio is closer to 50:50.

117. Solution: (c)

Exp) Option c is the correct answer.

Pair 1 is correct. Treaty shopping refers to a practice where **entities from a third country exploit a tax treaty** between two other countries to benefit from favorable tax rates or exemptions, even though they are **not residents of either treaty partner.**

Pair 2 is correct. Round tripping involves **routing investments through foreign entities,** often in tax havens, and then channeling them **back into the home country.** This is done to take advantage of tax incentives, treaties, or to obscure the source of funds.

Pair 3 is correct. Base erosion and profit shifting (BEPS) is a tax avoidance strategy where multinationals **shift profits to low or no-tax locations** where they have little or no economic activity or erode tax bases through deductible payments like interest or royalties. BEPS practices undermine the fairness and integrity of tax systems because businesses that operate across borders can use them to gain a competitive advantage over enterprises operating at a domestic level.

118. Solution: (c)

Exp) Option c is the correct answer.

Tax buoyancy is an important economic concept that measures how **tax revenue** grows in response to the growth of the economy (usually represented by the **Gross Domestic Product (GDP)).** It refers to the **responsiveness** of tax revenue growth to changes in GDP. It indicates how well the tax system performs as the economy expands or contracts.

If the GDP grows and tax revenues increase proportionally or even more, the tax system is considered buoyant. A buoyant tax system indicates that the government is effectively able to capture increased income or transactions in the economy.

119. Solution: (b)

Exp) Option b is the correct answer

Taxes are the source of revenue for the government. It is essential to have an indicator measuring the efficiency and revenue mobilization. It helps in determining the level of taxation in a country. Such indicators include:

Statement 1 is incorrect: As tax buoyancy is – total response of tax revenue to change in national income and discretionary change in tax policy over time; and **tax elasticity is – automatic response of tax revenue to GDP changes less the discretionary tax changes. It do not include impact of discretionary tax changes such as change in tax rate, changes in tax base, changes in tax concessions etc**

Statement 2 is correct: A high tax elasticity is said to be a particularly desirable feature in the economy. **It leads to higher economic growth.**

120. Solution: (a)

Exp) Option a is the correct answer.

Custom duty is an indirect tax applicable on goods transported across international borders. Hence, it can be divided into Import Duty and Export Duty. Custom duty is defined under the Customs Act, 1962

Pair 1 is incorrectly matched: Countervailing Duty (CVD) is an additional **customs duty imposed on imported products to neutralize unfair advantages enjoyed by these products due to benefits like export subsidies and tax concessions in the country of their origin**. This promotes a level playing field for the domestic industries. The WTO permits countervailing duties after the importing nation has conducted an in-depth investigation into the subsidized imports.

Pair 2 is incorrectly matched: Anti-dumping Duty is a protectionist tariff that the domestic government imposes on foreign imports that it **believes are priced below fair market value**. It reduces the dumping of goods whose prices have been artificially lowered, into the domestic market.

Pair 3 is correctly matched: Safeguard duty is a temporary relief **provided when imports of a particular product**

increase unexpectedly and threaten the existence of domestic players of similar products. For example: India, from time to time, imposes safeguard duty on import of solar cells and modules from China, Thailand, Vietnam etc

121. Solution: (d)

Exp) Option d is the correct answer.

The Goods and Services Tax (GST), introduced through the 101st Constitutional Amendment Act of 2016, is a unified tax system designed to replace multiple indirect taxes such as VAT, excise duty, service tax, and luxury tax.

Goods and Services Tax (GST) is a destination-based tax system. This means that the tax is levied at the place where goods are consumed, rather than where they are produced. In the case of inter-state trade, the tax revenue is shared between:

The state where the goods are consumed (destination state),

The Central Government, which collects the central component of the tax.

122. Solution: (d)

Exp) Option d is the correct answer.

Taxes imposed by the government serve various objectives and can be categorized based on fairness into four types:

(i) Progressive Taxation: Tax rate increases with the rise in the taxpayer's income

(ii) Proportional Taxation: Tax rate remains fixed, regardless of income level

(iii) Regressive Taxation: Tax rate remains unchanged, disproportionately affecting lower-income earners.

(iv)Degressive Taxation: Tax rate increases with income but decreases beyond a certain threshold.

Statement I is incorrect: In India, Indirect taxes such as Goods and Services Tax (GST) are regressive (not degressive) in nature as tax rate or incidence of tax does not alter depending on increase or decrease in income. For example, petroleum products are used by both poor and rich and both are taxed at the same rate.

Statement II is correct: In indirect taxation, individuals with lower incomes tend to spend a larger proportion of their earnings on taxable goods and services. As a result, **they pay a higher percentage of their income as tax compared to high-income earners, who spend a smaller proportion of their income on such goods.**

Thus Indirect taxes are regressive as the poor bear a larger percentage of the tax compared to rich in consumption of goods and services. **Hence option d is correct: Statement I is incorrect, but Statement II is correct**

123. Solution: (b)

Exp) option b is the correct answer.

Pair 1 is correct. Withholding Tax is a tax **deducted at the source** from salaries, dividends, or interest payments before the recipient receives them. It **ensures tax compliance** before the income is distributed. For example, If a foreign company earns interest income in India, a portion of it is withheld as **withholding tax** before payment.

Pair 2 is correct. The Tobin Tax is a tax on foreign exchange transactions aimed at discouraging short-term speculative trading. Tax rates are generally kept lower to prevent market disruption.

Pair 3 is incorrect. Angel Tax is levied on **unlisted companies** when they receive investments **above fair market value** from individual investors. The tax is levied on investments made by angel investors (and not on investors themselves) above a certain threshold, where the valuation of the start-up is considered inflated or non-market based.

124. Solution: (d)

Exp) Option d is the correct answer.

Option d is correct: Drip pricing is a pricing technique in which firms advertise only part of a product's price and reveal other charges later as the customer goes through the buying process. The additional charges can be mandatory charges, such as hotel resort fees, or fees for optional upgrades and add-ons. Drip pricing is used by many types of firms, including internet sellers, automobile dealers, financial institutions, and rental car companies.

Option a is incorrect: When a country or company sells a product at a lower price in a foreign market than in its domestic market **it is called as product dumping or international price discrimination.**

Option b is incorrect: A business strategy that involves setting prices unrealistically low to eliminate competition and gain market share is **called predatory pricing.**

Option c is incorrect: Pricing a product based on various external factors, including current market demand, the season, supply changes and price bounding **is known as Dynamic pricing.** With dynamic pricing, product prices continuously adjust – sometimes in minutes – in response to real-time supply and demand. Amazon is one of the largest retailers that uses dynamic pricing. Its algorithms continuously adjust and evaluate prices.

125. Solution: (a)

Exp) Option a is the correct answer.

Generally, the supplier of goods or services is liable to pay GST. However, in specified cases like imports and other notified supplies, the liability may be cast on the recipient under the reverse charge mechanism. **Reverse Charge means the liability to pay tax is on the recipient of the supply of goods or services** instead of the supplier of such goods or services in respect of notified categories of supply.

126. Solution: (c)

Exp) Option c is the correct answer.

Security Transaction Tax (STT) is levied on transactions involving the purchase or sale of securities such as stocks, derivatives, and equity-oriented mutual funds in the Indian stock market. Introduced in India in 2004, STT is collected by the government to help regulate and generate revenue from stock market transactions.

Statement 1 is correct: The Securities Transaction Tax is **imposed on both the purchase and sale of the securities and is calculated as a percentage of the transaction value.** The rate of STT varies depending on the type of transaction and the category of securities involved.

Statement 2 is incorrect: Securities Transaction Tax (STT) is **imposed on the transaction value,** irrespective of any profit or loss made and hence **applicable to both profitable and loss-making transactions in stocks.**

Statement 3 is correct: STT charge is **applicable only on share transactions made through a recognized stock exchange in the country. Off-market share transactions are not covered under STT.**

127. Solution: (a)

Exp) Option a is the correct answer.

Tax systems are mechanisms through which **governments finance their expenditure** by imposing **charges on citizens** and **corporate entities.** Taxes are primarily **classified** into **three types: progressive, regressive,** and **proportional.**

Option a is correct: A **progressive tax** imposes a **higher rate on the rich than on the poor,** based on the **principle of the taxpayer's ability to pay,** making it **equitable** across different income groups. This system is **designed to ensure fairness,** as it places a **larger financial burden** on those **who can afford** to pay more, in proportion to their income. Example for such a tax is the Income tax in India.

Option b is incorrect: A **regressive tax is applied uniformly,** resulting in a **higher burden** on the **lower-income earners.** This is not how personal income tax operates in India, where the tax system is designed to be more equitable. Example for such a tax is the Goods and Services Tax (GST) in India.

Option c is incorrect: A **proportional tax,** also known as a **flat tax,** applies the **same rate to all income levels.** While simple, it's not how India's personal income tax system works, as India employs a tiered tax rate system based on income brackets. A sales tax can be considered a type of proportional tax since all consumers, regardless of earnings, must pay the same fixed rate.

Option d is incorrect: Digressive tax refers to a type of tax in which people with high incomes pay less tax as a percentage of their income than those people with low incomes. Degressive taxes redistribute wealth from the bottom to the top.

128. Solution: (b)

Exp) Option b is the correct answer.

Goods and Services Tax (GST), **implemented** on July 1, **2017,** in India, is a **comprehensive, multi-stage, destination-based tax** that is **levied** on **every value addition.** It has **subsumed several erstwhile taxes** including VAT, excise duty, service tax, etc., to **eliminate the cascading effect of taxes** and **bring uniformity in taxation** across the country.

Statement 1 is correct: Table **Salt is exempted from GST,** aligning with the government's approach to keep basic and essential goods out of the tax purview to ensure they remain affordable to the general population.

Statement 2 is correct: Purchase of **human blood and its components are exempt from GST.**

Statement 3 is incorrect: Sealed or packed **mineral water is subject to GST as it is considered a luxury or non-essential item.** The imposition of GST on mineral water aims to tax goods that are not basic necessities at standard rates.

Statement 4 is incorrect: The Centre has recently imposed 2.5 per cent CGST and 2.5 per cent SGST on jaggery of all types including cane jaggery (gur), palmyra jaggery (pre-packaged and labelled), while jaggery other than pre-packaged and labelled attracts nil GST.

Statement 5 is correct: As per recent update, **under the GST regime, fresh milk and pasteurized milk will completely remain in the exemption.** Likewise, there is **no GST applicable** as long as **paneer, curd,** and **buttermilk** are **sold loose,** i.e., without any pre-packaging and branding.

Important Tips

1) GST is applied on goods and services at the point of consumption, with the aim of making the taxation process transparent and reducing the burden of multiple taxations on consumers.
2) The GST Council, which is the apex decision-making body concerning GST in India, periodically reviews and revises the list of goods and services that are exempt from GST.
3) These decisions are made considering the socio-economic importance of goods and services and their impact on different sections of society.

129. Solution: (a)

Exp) Option a is the correct answer

The term capital gain refers to any profit or gain that is received from the sale or transfer of a 'capital asset'. The profit received from the sale comes under the category 'income' and hence, a tax must be paid on the income received. The tax paid is known as capital gains tax and there are two types of capital gains, short-term capital gains tax (STCG) and long-term capital gains tax (LTCG).

Statement 1 is correct: Capital gains is levied on the income and profits obtained from the sale or exchange of certain assets such as jewelry, vehicles, leasehold rights, machinery, **patents, trademarks,** buildings, house property, and land.

Statement 2 is incorrect: Generally Short-term capital gains tax rate (STCG) is higher than long-term capital gains tax rate (LTCG). As per the recent interim budget 2024, **the long-term capital gains tax rate can be aligned at 10% and short-term capital gains tax at 15%** for all types of financial assets (such as listed and unlisted equity / preference shares, equity oriented mutual funds and instruments like REIT/ Invit units and other financial assets like debt oriented mutual fund units, bonds, debentures).

Statement 3 is incorrect: Capital gains tax is applicable to the **profit gained through sale of capital assets of all the residents in India.**

130. Solution: (d)

Exp) Option d is the correct answer.

The idea of a nationwide GST in India was first proposed by **the Kelkar Task Force** on Indirect taxes in 2000. GST was enacted as the 101st Constitution Amendment Act, 2016. On 1st July 2017, GST laws were implemented, replacing a complex web of Central and State taxes.

Statement I is incorrect. GST is applied only to the net value added at each stage of the supply chain. It is **applied to the value addition at each stage**, allowing for the seamless flow of credits and reducing the tax burden on the end consumer.

Statement II is correct. GST is a destination-based tax as it is levied at each stage of the supply chain, from the manufacturer to the consumer. GST is levied in the state where goods and services are finally consumed which is also the destination for those goods and services. Hence it is called destination-based tax.

131. Solution: (d)

Exp) Option d is the correct answer.

Tax-to-GDP ratio denotes the percentage of a country's GDP collected in taxes, serving as a key indicator of fiscal health and government revenue generation. It reflects the extent of taxation relative to economic activity, impacting public finances, social programs, and overall economic stability, influencing investment and growth prospects.

Option 1 is correct: A significant part of India's economy operates informally, which means many transactions and incomes are not recorded and thus are not taxed.

The informal sector accounts for a large portion of employment and economic activity but remains outside the tax net.

Option 2 is correct: With a considerable population earning below the taxable threshold, the potential tax revenue is limited.

India's per capita income is relatively low compared to developed countries, which translates into a smaller proportion of the population falling into the tax-paying bracket.

Option 3 is correct: Cash transactions are harder to track, leading to underreporting of income and lower tax collections.

India's economy has a high reliance on cash, which makes it challenging for tax authorities to monitor and collect taxes effectively.

Option 4 is correct: Tax evasion and avoidance practices reduce the effective collection of taxes. Despite efforts to widen the tax base, there are still significant gaps in tax compliance.

132. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Cess is a tax levied by the government for a specific purpose, and the funds collected are initially credited to the Consolidated Fund of India (CFI).

Statement 2 is correct: Cess must be used only for the purpose for which they were collected. Example- Swachh Bharat cess etc.

Statement 3 is incorrect: Cess in India is imposed on both indirect and direct taxes. The revenue from cess is earmarked for specific purposes and cannot be spent elsewhere.

Statement 4 is correct: Article 270, expressly recognized that cesses are used for specific purposes and are excluded from divisible pool of taxes, and it comes under the sole jurisdiction of Centre

133. Solution: (c)

Exp) Option c is the correct answer.

Pair 1 is correct. Ad valorem tax is a tax that is **imposed on the value of a good or service.** An example for ad valorem tax is imposition of 28% GST on luxury cars. Here, if the price of a car is Rs 10 lakh, the GST amount will be Rs 2.8 lakh.

Pair 2 is correct. A Pigouvian tax, named after 1920 British economist Arthur C. Pigou, is a tax on a market **transaction that creates a negative externality**, or an additional cost, borne by individuals not directly involved in the transaction. For example carbon tax etc.

Pair 3 is correct. The Tobin Tax, named after Nobel laureate economist James Tobin, is **a proposed tax on all spot conversions of one currency into another.** It was first suggested in the 1970s, the Tobin Tax gained prominence as a potential tool to curb currency speculation and stabilize global financial markets

Important Tips

Sin taxes are imposed to **discourage consumers from using goods or services that are seen as undesirable or detrimental to society.** Sin Taxes makes the undesirable goods so expensive that rational consumer would be forced to give up the habit. Tobacco, gambling ventures, alcohol, cigarettes. Etc.

134. Solution: (b)

Exp) Option b is the correct answer.

The Central Board of Revenue, as the apex body of the Department, was entrusted with the task of administration of taxes. It came into existence as a result of the Central Board of Revenue Act, 1924. Initially, the Board was in charge of both direct and indirect taxes. Subsequently, **the Board was split up into two, namely the Central Board of Direct Taxes and Central Board of Excise and Customs in 1963.**

Statement 1 is incorrect: The Central Board of Direct Taxes is **a statutory authority constituted under the Central Board of Revenue Act, 1963 (not under Income Tax Act of 1961).**

Statement 2 is correct: Its functions include formulation of policies, dealing with matters relating to levy and collection of direct taxes, and supervision of the functioning of the entire Income Tax Department. **CBDT also proposes**

legislative changes in direct tax enactments and changes in rates and structure of taxation in tune with the policies of the Government.

Statement 3 is correct: Central Board of Direct Taxes (CBDT) releases the Cost Inflation Index (CII) annually. The formula to calculate inflation-adjusted cost price is: CII of the year of sale / CII for the year of purchase * Actual cost price.

135. Solution: (a)

Exp) Option a is the correct answer.

Progressive tax is the taxing mechanism in which the taxing authority charges more taxes as the income of the individual taxpayer increases. A higher tax is collected from the taxpayers who earn more and lower taxes from taxpayers earning less. The government uses a progressive tax mechanism. The income tax is divided into slabs. As the income of the taxpayer crosses a benchmark income, a new rate of tax (higher than earlier) is charged to him.

Statement-I is correct. India follows the progressive tax slab rate system for individual taxpayers, where the tax rate is determined based on varied factors.

Taxation in India differentiates based on age groups, income levels, and surcharges. Senior citizens and super senior citizens enjoy higher basic exemptions. Health and Education Cess is applied at 4%. Two tax regimes exist, with the concessional regime offering lower rates in exchange for foregoing certain deductions/exemptions.

Statement-II is correct and correct explanation of Statement-I. Progressive taxation helps reduce income inequality by collecting a larger share of revenue from high-income individuals. This revenue can be used to fund social programs that benefit lower-income segments of the population, contributing to a more equitable distribution of wealth.

136. Solution: (c)

Exp) Option c is the correct answer.

Statement a is incorrect: When taxes are increased, it typically reduces the disposable income of individuals and businesses, leading to lower spending and saving, which can have a dampening effect on aggregate demand. **While increased government spending can stimulate demand, the net impact on the money supply and aggregate demand depends on the magnitude of the tax increase and other economic factors**. Therefore, it cannot be stated as a general rule that both increased taxes and government spending always lead to an increase in the money supply and aggregate demand.

Statement b is incorrect: The effect of tax cuts and reduced government spending is not always a straightforward decrease in the money supply and aggregate demand. The impact can vary based on several factors, including the scale of the changes, the existing economic conditions, and how individuals and businesses respond. For instance, **significant tax cuts and moderate reductions in government spending may not necessarily lead to a decrease in the money supply and aggregate demand.**

Statement c is correct: When the government increases its spending on various programs, projects, or services, it directly injects money into the economy. This additional money goes to various sectors, such as infrastructure development, healthcare, education, defense, and more. As a result, individuals and businesses involved in these sectors **receive income and wages, which, in turn, leads to increased consumer and business spending.**

If the government decreases taxes, it effectively reduces the amount of money that individuals and businesses have to pay in taxes, leaving them with more disposable income. This extra money can be used for consumption, savings, or investments. When people have more disposable income, they tend to spend more on goods and services, contributing to increased consumer spending and aggregate demand.

Statement d is incorrect: Changes in government expenditure and taxes can have a significant impact on both money supply and aggregate demand, depending on the magnitude of the changes and the broader economic context. **These policy actions can influence consumer spending, business investment, and the overall economic activity, thus affecting money supply and aggregate demand**. The impact is not minimal but can be substantial and varies based on specific circumstances.

137. Solution: (b)

Exp) Option b is the correct answer

Taxes are the source of revenue for the government. It is essential to have an indicator measuring the efficiency and revenue mobilization. It helps in determining the level of taxation in a country. Such indicators include:

Statement 1 is incorrect: Tax Buoyancy is calculated as a ratio of percentage growth in tax revenues and growth in nominal GDP for a given year.

Tax buoyancy = change in tax revenue/ change in GDP

Tax is said to be buoyant if the gross tax revenues increase more with respect to a rise in GDP figures.

Statement 2 is incorrect: Tax Elasticity refers to change in tax revenue in response to change in tax rate. For example, the corresponding changes in tax revenue when the government reduces corporate income tax from 30 per cent to 25 per cent indicates tax elasticity.

Statement 3 is correct: Tax buoyancy is an important factor to know the expected level of government borrowings from the debt market. **Higher tax buoyancy mean that the government need to borrow less from the debt market. This results in lowering the interest rates. And corporates would borrow loan at low interest rate.**

IMF study of 34 OECD nations in 2014 found that countries who had long-term tax buoyancy figures above one, also improved their deficit ratios.

Statement 4 is correct: A high tax elasticity is said to be a particularly desirable feature in economy. **It leads to higher**

economic growth. It helps the government financing the expenditure related to development by rising tax revenue. Instead of increasing tax or borrowing from the market which leaves little space for the corporate sector to borrow.

138. Solution: (a)

Exp) Option a is the correct answer.

The Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. The GST aims to replace a complex structure of indirect taxes such as excise duty, service tax, value-added tax (VAT), and others, to create a uniform tax structure across India.

Certain goods and services in India are exempted from the GST regime, meaning no GST is applied to them. These exemptions aim to keep essential goods and services affordable and accessible to the general public.

Option 1 is incorrect: The **Molasses** are **not exempted** from the Goods and Services Tax(GST) regime. The recent 52nd GST Council decided **to reduce GST on molasses to 5 per cent, from 18 per cent.**

Option 2 is correct: Newspapers, journals and periodicals, whether or not illustrated or containing advertising material are exempted from the Goods and Services Tax (GST) regime.

Option 3 is incorrect: For medicinal plants, foliage, and branches, the GST rate is 5%. Hence, they are not exempted from GST regime.

Option 4 is incorrect: The Millet flour is not exempted from the GST regime. The 52nd Goods and Services Tax (GST) Council meeting announced a significant reduction in tax rates for millet flour food preparations. The tax rate has been reduced **from the current 18 percent to a more affordable 5 percent,** making these nutritious food items more accessible to the public.

139. Solution: (a)

Exp) Option a is the correct answer.

The Commodity Transaction Tax (CTT) was introduced in the 2013-14 budget by the Government of India. The Commodities Transaction Tax (CTT) is a tax levied on the trading of commodity derivatives in India.

Statement 1 is incorrect: Commodity Transaction Tax (CTT) is categorised as a direct tax, not an indirect tax. It is imposed on the trading of commodity derivatives, specifically futures and options. In **CTT, the burden of taxes imposed on buyers and sellers cannot be shifted to another person,** which is a characteristic of **direct tax**. On the other hand, in the indirect tax system, the tax burden can be transferred to another party.

Statement 2 is incorrect: The Commodity Transaction Tax (CTT) is levied on non-agricultural commodities such as gold, silver, crude oil etc. **Agricultural products are exempt** from this tax; hence this statement is incorrect. It is important to note here that the tax is applicable **only for sellers** participating in commodities trading in India.

Statement 3 is correct: An ad valorem tax is a tax calculated as a percentage of the value of a transaction or property. As the Commodity Transaction Tax **(CTT) is imposed on the value of transactions** involving commodity futures at the time of execution, it is a type of ad valorem tax. At present the CTT is levied at a rate of **0.01% of the total value** of commodity derivatives.

140. Solution: (b)

Exp) Option b is the correct answer.

Petrol holds immense significance in India as a key source of energy that fuels various sectors, including transportation, industry, and agriculture. Further petrol supports the mobility of people and goods across the country. The retail price of petrol in India is influenced by various factors, including:

TABLE 1

PRICE BREAKUP IN DELHI (₹/LITRE)

	Petrol	Diesel
Base price	56.32	57.94
Freight etc	0.20	0.22
Excise duty	27.90	21.80
Dealer commission (avg)	3.86	2.59
VAT	17.13	14.12
Retail price	105.41	96.67

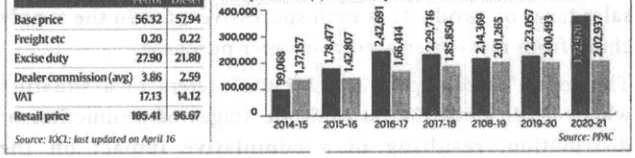
Source: IOCL; last updated on April 16

CHART 1

■ Excise duty collected by Centre ■ Sales tax/VAT collected by states

CENTRAL EXCISE & VAT/SALES TAX ON PETROLEUM PRODUCTS (₹ cr)

Dec-April 2021-22 (P) – Excise duty: ₹ 2,62,967 cr; Sales tax/VAT: ₹1,89,125 cr



Source: PPAC

Option 1 is correct: Customs duty is a tax imposed on the import of goods into the country. In the context of petrol, it is applied at the point of import i.e. at the point of **importing crude oil into India**. Hence **customs duty ends up influencing the cost of petrol available at retail.**

Option 2 is correct: Central Excise duty is levied on the production of goods within the country. In the case of petrol, it is imposed during the **refining process of crude oil to produce petrol.** Hence excise duty has an ultimate **impact on the overall cost of petrol** at retail.

Option 3 is incorrect: The petroleum products like **petrol, diesel,** Aviation Turbine Fuel **(ATF) and natural gas are not** covered by the Goods and Service Tax **(GST) regime.** Therefore, the rate of GST will have no direct influence on the retail price of petrol in India.

Option 4 is incorrect: In many countries Clean Energy Cess, a form of carbon tax, are levied also on other fossil fuels like petroleum, natural gas etc. However, in India this is **applied only on coal and its variants - lignite and peat.** Thus, **clean energy cess does not directly influence the retail price of petrol in India.**

141. Solution: (a)

Exp) Option a is the correct answer.

In India, the Profit generated from the transfer of a capital asset is subject to taxation under the category of "Capital Gains." Capital gains income is further categorised into "Short Term Capital Gains" and "Long Term Capital Gains".

Statement 1 is correct: Generally a capital asset held by the taxpayer for a duration exceeding **36 months** just before its transfer date is categorised as a long-term capital asset. However the duration is reduced to **24 months in the case**

of immovable property, including land or building or both and unlisted shares of a company. Hence profit made from the **sale of residential areas** held by an individual for **more than 2 years is subject to LTCG tax.**

Statement 2 is incorrect: A profit made from the **sale of movable property such as furniture held for personal use** by an individual is exempted from Long Term Capital Gain (LTCG) tax.

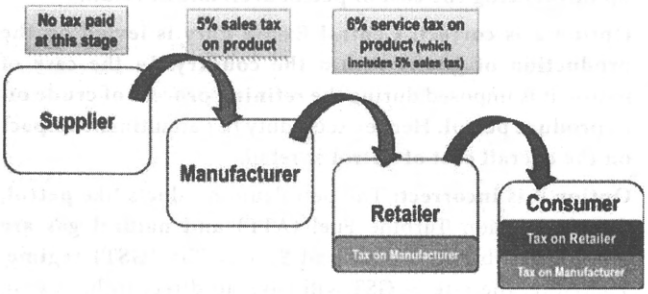
Statement 3 is incorrect: A profit made by an individual from the sale of raw materials held for business purposes is exempted from Long Term Capital Gain (LTCG) tax. This exemption is based on the principle that raw materials are circulating assets that are used in the ordinary course of business, not investment assets.

142. Solution: (b)

Exp) Option b is the correct answer.

United States of America tax refers to a system that imposes sales taxes on products at each successive stage in the supply chain from raw material to consumer purchase.

The term "cascading effect of taxes" refers to a situation where taxes are levied at multiple stages of production or distribution, **resulting in a cumulative impact on the final price of a product or service (rise in the price of the product).** Also known as "tax pyramiding" or "tax cascading," this effect can occur when a tax is imposed on each transaction or transfer of goods or services within a supply chain.



143. Solution: (b)

Exp) Option b is the correct answer

The taxation in India is dealt by two agencies:

1. Central Board of Indirect taxes and Customs (CBIC) authority responsible for governing indirect taxes such as GST, central excise, customs, among others in India
2. Central Board of Direct Taxes (CBDT) authority dealing with laws related to direct taxes through the Department of Income tax.

They both come under the Department of Revenue of Ministry of Finance.

Statement 1 is correct: Department of Revenue Intelligence (DRI) works under the Central Board of Indirect Taxes & Customs, Ministry of Finance, Government of India. It is an anti-smuggling agency of India. It is assigned with task of detecting and checking the smuggling of prohibited items. Such items include drug trafficking and illicit international trade in wildlife and environmentally sensitive items. It is also tasked with combating commercial frauds related to international trade and evasion of Customs duty.

Statement 2 is incorrect: The Central Board of Direct Taxes is a statutory authority under the Central Board of Revenue Act, 1963. Earlier The Central Board of Revenue under central board of revenue act, 1924 was charged with the administration of taxes. Initially the Board was in charge of both direct and indirect taxes. In 1964, the Board was split up into two bodies, namely the Central Board of Direct Taxes and Central Board of Excise and Customs.

Statement 3 is correct: Benami transaction is defined under Benami transaction (prohibition) act, 1988. In simpler terms benami transaction is if a person has paid for a certain property but it is transferred to another person's name. **Investigation for such transaction is initiated by the assistant commissioner of Income Tax.**

144. Solution: (d)

Exp) Option d is the correct answer.

Value Added Tax (VAT) is a form of sales tax. It is collected in stages on transactions Involving sales of goods. Tax paid on purchases (input tax) is rebated against tax payable on sales (output tax). VAT is levied on sales of all taxable goods. VAT is not levied if sales of goods are not made in the course of or in furtherance of business.

Statement 1 is incorrect: The value added tax (VAT) is a method of tax collection as well as the name of a state level tax (at present) in India. It is collected in many stages on transactions involving sales of goods (not levied on any single stage only). Basically, it is a type of indirect tax levied on goods and services for value added at every point of production or distribution cycle, starting from raw materials and going all the way to the final retail purchase. To remove the cascading effect of single point tax collection VAT was introduced.

Statement2 is incorrect: Currently the **majority of the state's indirect taxes has been subsumed under GST**. After the implementation of the GST, **VAT on petroleum (petroleum crude, petrol, high speed diesel, natural gas and aviation turbine fuel) and alcohol** is still under the purview of states.

145. Solution: (a)

Exp) Option a is the correct answer.

Taxation debate in developing economies revolves around whether progressive or regressive taxation, direct tax or indirect tax collections should be higher, whether revenue deficit is better, etc.

Statement 1 is correct: Horizontal equity is an economic theory that states that individuals with similar income and assets should pay the same amount in taxes. Horizontal equity should apply to individuals considered equal regardless of the tax system in place. The more neutral a tax system is the more horizontally equitable it is.

Statement 2 is incorrect: In proportional taxation method, there is neither progression nor regression from the point of

view rate of taxes point of view. Such taxes have **fixed rates for every level of income or production,** they are neutral from the poor or rich point view or from the point of view of the levels of production. On the other hand, in progressive taxation there is higher rates of tax for higher income levels.

146. Solution: (b)

Exp) Option b is the correct answer.

The Goods and Services Tax Act came into force from 1st July 2017. It has rationalised indirect taxation and improved compliance significantly.

Statement 1 is incorrect: GST collection has not increased consistently since its inception. In the financial year prior to the onset of the pandemic i.e., 2019-20, the Gross GST collection was Rs.12.11 lakh crores. However, the overall GST collections for 2020-21 were lower than the previous year with only Rs. 11.32 lakh crores. Since the launch of GST, revenues fell short of the Budget estimates, however, 2020-21 was the first instance when the revenue was lower than the previous year.

Year	GST Collection (Rs. In Crores)
FY 2017-18	7,19,078
FY 2018-19	11,77,370
FY 2019-20	12,22,117
FY 2020-21	11,36,803
FY 2021 22	14,76,000

Statement 2 is correct: Goods and Service Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, **destination-based consumption tax** that is levied on value addition in supply chain. GST is a single domestic indirect tax law for the entire country.

Statement 3 is incorrect: The World Customs Organization (and not the World Trade Organization) developed the HSN code, or Harmonized System Nomenclature code number, as an internationally accepted commodity description and coding system. More than 200 countries use the HSN code as the basis for their customs tariffs. Currently, over 98% of international trade merchandise is classified using the HSN code. **With the HSN code serving as a universal classification for goods, the Government has decided to use the HSN code for GST classification and levy.**

147. Solution: (c)

Exp) Option c is the correct answer.

Commodities transaction tax (CTT) and securities transaction tax (STT) are taxes which are charged on exchange-traded commodities and their derivatives in India. The purpose for levying CTT and STT is to increase tax revenue and reduce market volatility.

Statement 1 is incorrect: Commodities Transaction Tax (CTT) is a tax levied in India, on transactions done on the domestic commodity derivatives exchanges. The Union Budget 2013–14 has introduced the commodities transaction tax in India. It is **confined to Non-Agricultural Commodities such as Gold, Silver, commodity futures contracts.**

Statement 2 is correct: Like all financial transaction taxes, CTT also **aims at discouraging excessive speculation,** which is detrimental to the market and to bring parity between securities market and commodities market. Futures contracts are financial instruments and provide for price risk management and price discovery of the underlying asset commodity or currency.

Statement 3 is correct: The Securities Transaction Tax (STT) is a type of 'financial transaction tax' levied in India on transactions done on the domestic stock exchanges. Securities transaction tax is levied on gains from securities such as equities, options etc. in domestic stock exchange. **STT is used as a measure to control the evasion of tax on capital gains as it is a direct tax levied on source.**

148. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: MAT is a tax levied under Income Tax Act of India, 1961. There are several **zero tax companies** that book high profit but pay almost nil taxes by rolling out substantial dividends to their shareholders. MAT is used to limit tax exemptions availed by companies, so that they pay at least a minimum amount of corporate tax to the government. The key reason for the introduction of MAT is to **ensure minimum levels of taxation for all domestic and foreign companies** in India.

Statement 2 is incorrect: Under the Income Tax Act of India, 1961, certain tax benefits can significantly reduce a taxpayer's regular tax amount. The **alternative minimum tax (AMT)** applies to taxpayers with high economic income by setting a limit on those benefits. It helps to ensure that those taxpayers **pay at least a minimum amount of tax. It is the tax levied on non-corporate (not on corporates) entities similarly as MAT is applied on corporate entities.**

Important Tips

Currently Minimum alternate tax rate is 15% for corporate companies operating in India. In case of non-corporate taxpayer, AMT is levied at 18.5%* of adjusted total income.

149. Solution: (d)

Exp) Option d is the correct answer.

Profits or gains arising from transfer of a capital asset are called "Capital Gains" and are charged to tax under the head "Capital Gains".

Options 1, 2, 3, and 4 are correct: Assets like **mutual funds, shares (including preference share), bonds (including zero coupon bonds),** debentures, **paintings sold in the market etc.** are considered **capital assets** for the purpose of levying capital gain tax.

They can be further classified between **long term and short term** for taxation purpose. Any capital asset held by the taxpayer for a period of not more than **36 months**

immediately preceding the date of its transfer will be treated as short-term capital asset.

150. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: Parallel economy, based on the black money or unaccounted money, is a big menace to the Indian economy. It is also a cause of big loss in the tax revenues for the government.

Statement 2 is correct: Progressive taxation system tends to reduce income inequality since the burden of such taxes falls heavily on the richer persons.

Statement 3 is correct: As per Laffer curve increasing tax rate beyond optimum tax rate **results in decreasing of tax revenues** to the government as many people start evading tax payments.

151. Solution: (b)

Exp) Option b is the correct answer.

Equalization Levy was introduced in India in 2016, with the intention of taxing the digital transactions i.e., the income accruing to foreign e-commerce companies from India. It is aimed at taxing business to business transactions.

Statement 1 is incorrect. Corporate tax is charged on the companies registered in India under Companies Act 1956. As the aforementioned company has not registered itself in India, it will not have to pay corporate tax.

Statement 2 is incorrect. Income tax is imposed under the Income Tax Act of 1961. However, it would be applicable only on companies registered in India.

Statement 3 is correct. An Equalization Levy is levied on company involved in sales of digital services without any physical presence in India. In 2020, the Indian Income-tax Act expanded the scope of Equalization Levy (commonly referred to as 'Equalization Levy 2.0 or EL 2.0') as part of the Finance Act 2020. EL 2.0 was made effective on April 1, 2020. The new levy now includes a 2 per cent tax on gross revenues received by a non-resident "e-commerce operator" from the provision of 'e-commerce supply or service' to Indian residents or non-resident companies having a permanent establishment in India. The expression 'e-commerce supply or service', inter alia, includes the online sale of goods or the online provision of services or facilitation of the online sale of goods or provision of services.

Statement 4 incorrect. An excise or excise tax (sometimes called an excise duty) is a type of tax charged on goods produced within the country (as opposed to customs duties, charged on goods from outside the country). It is a tax on the production or sale of a good.

152. Solution: (a)

Exp) Option a is the correct answer.

Non-debt receipts refer to the revenue received by the government through sources other than borrowing, such as taxes, fees, fines, and other sources of income. In other words, non-debt receipts are the income earned by the government that does not add to the public debt burden. These receipts are also known as "revenue receipts" as they reflect the government's income from various sources.

Statement 1 is correct: non-debt receipts include:

1. Taxes: such as income tax, corporate tax, excise duty, customs duty, and service tax.
2. Non-Tax Revenue: such as dividends from public sector companies, profits from the sale of government assets, and revenue from public services.
3. Fees and Fines: such as fees charged for Government services, parking fees, and fines for traffic violations.
4. Grants: such as foreign aid and grants from international organizations like the World Bank and the International Monetary Fund.
5. non-debt capital receipts: such as Disinvestment proceeds, Recovery of loans, Sale of assets, Recovery of advances, etc.

Statement 2 is incorrect: It is evident from the charts given below that the Tax revenue is way larger component than the non-tax revenue receipts. Hence the Tax revenue receipts are the largest component of the non-Debt receipts of the Central Government rather than the non-tax revenue receipts. (Again, the non-debt capital receipts form a smaller part of total non-debt receipts even way smaller than the non-tax revenue receipts).

Figure 3a: Trends in Revenue Collection (H1)

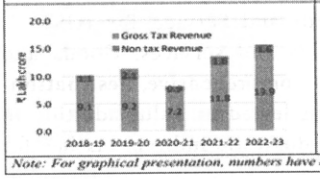
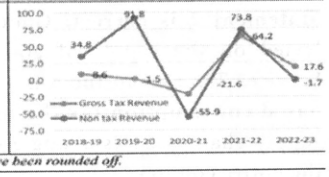


Figure 3b: Revenue Collection Growth (H1)



Note: For graphical presentation, numbers have been rounded off.

153. Solution: (b)

Exp) Option b is the correct answer.

Statements 1 is incorrect and 2 is correct: Central Board of Indirect Taxes and Customs (erstwhile Central Board of Excise & Customs) is a part of **the Department of Revenue under the Ministry of Finance**, Government of India. It deals with the tasks of formulation of policy concerning levy and collection of Customs, Central Excise duties, Central Goods & Services Tax and IGST, prevention of smuggling **and administration of matters relating to Customs, Central Excise, Central Goods & Services Tax, IGST and Narcotics** to the extent under CBIC's purview.

Statement 3 is correct: CBIC is a **statutory body** established **under** the **Central Boards of Revenue Act, 1963.** The Central Board of Excise and Customs (CBEC) was renamed as the Central Board of Indirect Taxes and Customs (CBIC) in 2018 after the roll out of Goods and Services Tax (GST).

154. Solution: (a)

Exp) Option a is the correct answer.

Enforcement Directorate (ED) is a premier financial investigation agency and economic law enforcement agency

of the Government of India. In 1956, an 'Enforcement Unit' was formed in the Department of Economic Affairs. It handled the Exchange Control Laws violations under Foreign Exchange Regulation Act of 1947 (later FERA 1973) In the year 1957, this Unit was renamed as 'Enforcement Directorate'.

Statement 1 is incorrect: The Directorate of Enforcement (ED) is a law enforcement agency in India that functions under the **Department of Revenue, Ministry of Finance.** The Directorate of Enforcement has its headquarters at New Delhi and is headed by the Director of Enforcement.

Statement 2 is correct: ED was established to enforce the Foreign Exchange Management Act, 1999 (FEMA). The ED is also responsible for implementing **the Prevention of Money Laundering Act, 2002 (PMLA),** which aims to curb the generation and circulation of black money and to ensure compliance with the laws concerning foreign exchange and prevention of money laundering. It is also responsible for enforcing the Fugitive Economic Offenders Act, 2018.

Statement 3 is incorrect: ED has the power **to conduct searches and raids, and even arrest citizens under the PMLA,** as validated by the Supreme Court in a landmark verdict in 2022.

ECONOMIC & SOCIAL DEVELOPMENT

BANKING AND CAPITAL MARKET

3.1. Monetary Policy and Banking

1. With respect to RBI's Monetary policy, consider the following:

RBI's Monetary Policy has limited impact

1. on interest rate change on economy during liquidity trap.
2. on government spending.
3. to regulate global commodity prices.

Which of the above given statements are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 2 and 3
(d) 1 and 3 only

2. With reference to Monetary Policy Committee (MPC) in India, consider the following statements:

1. The MPC is responsible for setting the benchmark interest rates.
2. The decisions made by the Monetary Policy Committee are binding on the Central bank.
3. There shall be at least four meetings of MPC organised in a year.

Which of the above given statements are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 2 and 3
(d) 1 and 3 only

3. In context of Financial Services Institutions Bureau (FSIB), consider the following statements:

1. The Financial Services Institutions Bureau (FSIB) is an autonomous body that replaced the Bank Board Bureau (BBB).
2. The Governor of Reserve Bank of India (RBI) is the ex-officio chairperson of the FSIB.
3. The FSIB makes recommendations for the appointment of full-time directors of Public Sector Banks and Insurers.

Which of the above given statements is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1 only
(d) 3 only

4. With reference to differences between Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), consider the following statements:

1. CRR funds are kept with the RBI, while SLR funds are kept with the banks themselves.
2. CRR is mandated under the RBI Act, while SLR is mandated under the Banking Regulation Act, 1949.
3. Banks earn interest from the funds kept as SLR, but not from funds kept as CRR.
4. There is a statutory upper limit on SLR, but not on CRR.

Which of the above given statements are correct?

(a) 1 and 2 only
(b) 2, 3 and 4 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

5. With respect to Small Finance Banks, consider the following statements:

1. They are not required to maintain a minimum Capital Risk-Weighted Assets Ratio (CRAR).
2. They are required to extend 75% of their Adjusted Net Bank Credit to Priority Sector Lending.
3. At least 75% of their loan portfolio should constitute loans and advances of up to 25 lakhs.

Which of the above given statements is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) None of the above

6. If reverse repo rate is increased by 100 basis points, what is most likely to happen?

(a) Banks may feel more interested to deposit their excess reserves with the central bank.

(b) Money supply in the economy increases.
(c) Loans will become cheaper to the public.
(d) Inflation shall be stabilized in the economy.

7. With reference to Marginal Standing Facility (MSF), consider the following statements:

1. This facility is available to all the scheduled banks.
2. Collateral is not required for borrowing under MSF provision.
3. The MSF rate is generally higher than the Repo Rate.

Which of the above given statements are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 2 and 3
(d) 1 and 3 only

8. Consider the following statements about Ways and Means Advances (WMA):

1. The rate of interest charged for WMA is the same as the repo rate.
2. Limits on WMA are fixed by FRBM Act.
3. WMAs are used exclusively to fund its fiscal deficit by the government.

Which of the above given statements is/are correct?

(a) 1 only
(b) 2 only
(c) 3 only
(d) 1 and 3 only

9. Consider the following statements with reference to Monetary Policy Framework (MPF) in India:

1. The Monetary Policy Committee is constituted by the Reserve Bank of India (RBI), under the provisions of RBI Act 1934.
2. The Reserve Bank of India determines the inflation targets in India, once in five years.
3. If the RBI fails to maintain the inflation target, it is required to submit a report to Parliament of India, explaining the reasons for such failure.

Which of the above given statements is/are correct?

(a) 1 and 2only
(b) 2 only
(c) 3 only
(d) None of the above

10. With reference to Ways and Means Advances (WMA) facility, consider the following statements:

1. Under this a temporary loan facility is provided by the Reserve Bank of India to the Centre and State governments.
2. The interest rate is charged at the repo rate for this facility.
3. No collateral is required for the governments to get funds under the "special WMA" mechanism.
4. WMA funding is cheaper than borrowing from markets.

Which of the above given statements are correct?

(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 2 and 4 only
(d) 1, 2, 3 and 4

11. With reference to the Credit Creation in Indian economy, consider the following instruments used by the central bank:

1. Increasing the Cash Reserve Ratio
2. Increasing the Statutory Liquidity Ratio
3. Increasing Bank Rate
4. Increasing the obligations under Capital Adequacy Ratio

How many of the above ways can act as limits to credit creation by banks in the Indian economy?

(a) Only one
(b) Only two
(c) Only three
(d) All four

12. With reference to currency and coins in India, consider the following statements:

1. Coins of any denomination not lower than one rupee shall be legal tender, for any sum not exceeding one thousand rupees.
2. Currently, 22 languages of Eighth Schedule of Constitution appear in the language panel of Indian banknotes.
3. Counterfeiting of currency notes can be deterred using Optically variable ink (OVI).

Which of the above given statements is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) 1 and 3 only

13. Consider the following actions:

1. Buying of government bonds from State Bank of India.
2. Making loan costlier by increasing Repo Rate by 100 basis points.
3. Decreasing the margin requirement for loans taken by the public.
4. RBI printing more money to finance the fiscal deficit.

How many of the above actions can be taken by RBI to decrease the money supply in the economy?

(a) Only one
(b) Only two
(c) Only three
(d) All four

14. Directions: For the Assertions (A) and Reasons (R), choose the correct alternative from the following.

Assertion (A): The RBI can provide liquidity to a solvent bank facing temporary liquidity issues when no one else is willing to extend credit to that bank.

Reason (R): RBI under the Reserve Bank of India Act, 1934, is bound to protect the interests of the depositors of the banks.

Select the correct answer using the codes given below:

(a) Both A and R are true and R is the correct explanation of A.
(b) Both A and R are true but R is not the correct explanation of A.
(c) A is true but R is false.
(d) A is false but R is true.

15. Which of the following statements is/ are correct regarding the Open Market Operations (OMOs) of Reserve Bank of India (RBI)?

1. OMOs are one of the qualitative monetary policy tools used by RBI to control money supply in economy.
2. RBI performs OMOs doing sale and purchase of both long term and short-term government securities.

Select the correct answer using the code given below:

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

16. Which of the following terms refers to the rate at which the Central Bank offers loans to commercial banks without requiring any collateral?

(a) Repo Rate
(b) Bank Rate
(c) Marginal Cost of Funds-Based Lending Rate
(d) Call Money Rate

17. Which economic concept refers to the frequency with which a unit of money changes hands during a specific time period?

(a) Money Multiplier
(b) Liquidity Ratio
(c) Velocity of Circulation of Money
(d) Price Elasticity

18. Which of the following statements are correct regarding the Marginal Cost of Funds-based Lending Rate (MCLR)?

1. The rate is determined internally by the banks.
2. Hike in MCLR rate increases the interest of Retail Loans.
3. Banks cannot lend at a rate lower than MCLR, for the loans linked to it (MCLR).

Select the correct option using the code given below.

(a) 1 and 3 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

19. Which of the following factors does *not* directly influence the demand for money due to the speculative motive, where individuals hold money in anticipation of taking advantage of future changes in economic conditions?

(a) The expected rate of return on assets
(b) The expected level of interest rates in the future
(c) The liquidity of assets
(d) Emergency medical expenses

20. Consider the following payment modes:

1. Payments made through Coins and currency notes
2. Payments made through Cheques drawn on savings or current accounts
3. Payments made through Credit cards

How many of the payment modes given above hold the status of legal tender in India?

(a) Only one
(b) Only two
(c) All three
(d) None

21. With respect to the measures of money supply in India, consider the following statements:

1. M1 includes currency held by the public and net demand deposits of commercial banks.
2. M2 includes components of M1 along with the net time deposits of commercial banks.
3. M4 includes components of M1 along with total deposits with Post Office savings organizations.

Which of the above given statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) 1 and 3 only

22. With reference to the money, consider the following

1. It acts as a medium of Exchange
2. It serves as an accounting unit.
3. It serves as a store of value.
4. It is used to keep prices stable.

How many of the above statements are correct regarding the functions of money?

(a) Only one
(b) Only two
(c) Only three
(d) All four

23. With reference to the Call Money Market, which of the statements given below is/are correct?

1. Payments Banks are eligible to participate in the Call money market both as borrowers and lenders.
2. Higher call rate indicates liquidity stress in the economy.

Select the correct answer using the code given below:

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

24. Which one of the following is the correct description of the term "Special provisioning of the loan"?

(a) It means keeping a part of the fund available with the bank for expanding its business.
(b) It is a practice of keeping an amount of money available for lending to a particular sector.
(c) refers to reserving a part of a fund available for financial management during an economic crisis.
(d) It refers to keeping an amount of money available to be used in case of a possible future loss or Non Performing Assets.

25. With reference to the Reserve Deposit Ratio (RDR) in banking system, consider the following statements:

1. It is the proportion of the total deposits of commercial banks which they keep as reserves.
2. It is used by banks to fulfill the demand for cash by account holders.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

26. Which of the following statements is incorrect regarding the 'Currency Deposit Ratio (CDR)'?

(a) It measures the ratio of currency held by the public to the total deposits with commercial banks.
(b) A higher CDR indicates that the banks have more money on their time deposits in relation to their total deposits.
(c) A lower CDR generally indicates a more efficient and stable banking system.
(d) A higher CDR indicates that a large portion of the currency is held outside the banking system.

27. Which of the following statements is correct in respect of the 'Standing Deposit Facility (SDF)' of the Reserve Bank of India (RBI)?

(a) It is the rate at which the Reserve Bank of India (RBI) absorbs the excess liquidity from banks without any collateral.
(b) Interest rate offered under SDF are generally lower than the reverse repo rate.
(c) It is primarily used by the RBI to control the influence of foreign currency on domestic money supply.
(d) It is a minimum deposit that banks must maintain with RBI in the form of cash or securities.

28. With reference to banking in India, which of the following is the most likely consequence of increased Capital Adequacy Ratio (CAR) for banks?

(a) Reduced interest rates on loans to the public.
(b) Increased levels of domestic private consumption.
(c) Narrowing the Current Account Deficit (CAD).
(d) Higher inflow of foreign capital into the Indian economy.

29. Consider the following:

1. Cash
2. Gold
3. Treasury Bills
4. Dated securities issued under market stabilisation schemes
5. State development loans.

How many of the above can be components of Statutory Liquidity Ratio (SLR)?

(a) Only two
(b) Only three
(c) Only four
(d) All five

30. With reference to the Indian economy in recent years, which of the following financial institutions is the largest contributor to agricultural loans?

(a) Scheduled Commercial Banks (SCBs)
(b) Cooperative banks
(c) Microfinance Institution (MFIs)
(d) Regional Rural Banks (RRBs)

31. With reference to the financial sector in India, consider the following statements about Non-Banking Financial Company (NBFC):

Unlike banks, NBFCs:

1. cannot accept demand deposits.
2. cannot issue cheques drawn on itself.
3. are not covered under the Deposit Insurance and Credit Guarantee Corporation's deposit insurance facility for depositors
4. cannot acquire securities issued by the government.

Which of the statements given above are correct about the distinction between banks and NBFCs?

(a) 2 and 3 only
(b) 1, 2 and 4 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

32. Consider the following statements regarding the Aadhaar-enabled Payment Services (AePS):

1. It is mandatory to receive a One-Time Password (OTP) on the Aadhar registered contact number to carry out any transaction with AePS.
2. AePS reduces the threat of any fraud and non-genuine activity with a customer's bank account.
3. The Reserve Bank of India has set a limit of Rs. 10000 per transaction on cash withdrawals from Micro-ATMs through AePS.

Which of the above given statements is/are correct?

(a) 2 only
(b) and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

33. With regard to the surplus income of RBI, which of the following statements is/are *incorrect*?

1. RBI is exempt from paying income tax on its surplus income but has to pay wealth tax.
2. The amount of transfer of surplus to the Centre is decided solely by the government.
3. Surplus income transfer by RBI to the Government forms part of capital receipts of the Government.
4. The Banking Regulations Act of 1949 provides for the transfer of surplus income by the RBI to the Centre.

Select the correct answer using the code given below:

(a) 1, 2 and 4 only
(b) 2 and 3 only
(c) 3 only
(d) 1, 2, 3 and 4

34. With reference to the National Financial Switch (NFS), which of the following options is correct?

(a) It is an interconnected network of automated teller machines (ATMs) which enables fund transfer services in India.
(b) It is a centralized electronic payment service for banks, corporates, financial institutions and the Government.
(c) It is a global network for secure, efficient financial information exchange between the banks.
(d) It is a UPI enabled initiative to facilitate safe, easy and instant digital payments through mobile phones.

35. Consider the following conditions:

1. Inflationary situation in the economy
2. Increase in income levels of households
3. Economic uncertainty in the country

In how many of the above conditions may the demand for money increase in the economy?

(a) Only one
(b) Only two
(c) All three
(d) None

36. Consider the following functions:

1. Acting as a merchant banker for central government
2. Managing the country's foreign exchange reserves
3. Framing the fiscal policy of the country
4. Lending money to individuals

How many of the above are the functions of the Reserve Bank of India (RBI)?

(a) Only one
(b) Only two
(c) Only three
(d) All four

37. Which of the following options is correct with regard to the concept of 'Monetary Base' ?

(a) It comprises consumer savings and deposits with commercial banks.
(b) It refers to the total government debt and corporate bond values.
(c) It comprises of foreign exchange reserves and international trade balances.
(d) It comprises currency in circulation, Bankers Deposits with the RBI and other Deposits with the RBI.

38. In the context of the banking system, which of the following best describes the term "Spread"?

(a) It is related to setting aside the funds for potential future losses and safeguarding the bank's stability.
(b) It is the difference between the interest rate earned on loans and the interest rate paid on deposits by a bank.
(c) It refers to the physical space or distance between bank branches in a network.
(d) It refers to the difference between total assets and liabilities of a bank.

39. With reference to the Indian Economy, which one of the following correctly describes the meaning of the term "'First Loss Default Guarantee (FLDG)' system?

(a) A guarantee extended by third parties to reimburse financial institutions for loan defaults by borrowers.
(b) An assurance provided by insurance companies to reimburse project developers of road projects for financial losses.
(c) arrangement enabling banks to sell borrowers' collateral in case of the first instance of default.
(d) An agreement between borrowers and lenders to temporarily waive penalties for loan defaults.

40. Consider the following actions:

1. Selling of G-secs under Open Market Operations (OMO)
2. Borrowing by the government from RBI
3. Increasing reserve ratio limits for banks by RBI
4. Reducing the policy repo rate

How many of the above-mentioned actions may increase money supply in the economy?

(a) Only one
(b) Only two
(c) Only three
(d) All four

41. With reference to the 'Payment Banks', consider the following statements:

1. They can take maximum deposit of ₹1 lakh from an individual customer.
2. They need to maintain Statutory Liquidity Ratio (SLR) as mandated by RBI.
3. They cannot issue debit cards to customers.
4. They cannot accept time deposits from the public.

Which of the above given statements is/are correct?

(a) 1, 2 and 4 only
(b) 2 and 4 only
(c) 3 and 4 only
(d) 1, 2 and 3 only

42. With reference to the 'Priority Sector Lending (PSL), consider the following:

1. Urban Cooperative Banks (UCBs).
2. Regional Rural Banks (RRBs)
3. Foreign banks

How many of the above financial institutions are mandated by the Reserve Bank of India (RBI) to follow Priority Sector Lending norms?

(a) Only one
(b) Only two
(c) All three
(d) None

43. With reference to the practise of loan write off by banks, consider the following statements:

Statement-I: The practice of Loan write-off by banks enables them to clean up their balance sheets by removing Non-Performing Assets (NPAs).

Statement-II: Loans that are written off are categorized as 'loss assets' because banks forfeit their right to reclaim these loans from borrowers.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct, and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct, and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct, but Statement-II is incorrect.
(d) Statement-I is incorrect, but Statement-II is correct.

44. Consider the following options regarding the credit control methods:

1. Credit Rationing
2. Moral Suasion
3. Repo rate
4. Standing Deposit Facility

How many of the above options are methods of Selective Credit control?

(a) Only one
(b) Only two
(c) Only three
(d) All four

45. With reference to 'Factoring', which one of the following statements is correct?

(a) It signifies the practice of selling invoices by a business to a specialized financial company or third party to fulfil short-term liquidity needs.
(b) It represents the practise of providing equity shares by the companies to employees instead of monetary benefits.
(c) It is the practise of splitting a large company into smaller, independent businesses to mitigate the risk of closure.
(d) It denotes the practice of providing credit financial institutions to borrowers in stages to mitigate the risk of non-payment by the borrowers.

46. Consider the following statements with reference to NEFT and RTGS modes of transfer of funds:

1. RTGS transactions happen in real time while NEFT transactions operate in a deferred settlement mode.
2. Unlike RTGS, there is no minimum transfer value in NEFT.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

47. If Reserve Bank of India (RBI) adopted Accommodative Stance, what does it mean?

(a) RBI is prepared to expand the money supply to boost economic growth.
(b) RBI increases the interest rates to reduce inflation.
(c) RBI either cuts policy rate or increases policy rate.
(d) RBI may avoid lowering interest rates for a while and might start raising them slowly.

48. Consider the following pairs:

Payment instruments	Their functions
1. Bharat Bill Payment system	Facilitates Monthly payments of utility services
2. National Financial switch	Works as India's largest network of shared ATMs
3. E-RUPI	Person-specific and purpose-specific digital voucher
4. National Automated Clearing House	Facilitate interbank, high volume, electronic transactions

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

49. With reference to Primary Agricultural Credit societies (PACS), consider the following statements:

1. They function under the purview of the Banking Regulation Act, 1949.
2. They provide short-term and medium-term credit to the member farmers.

Which of the above statements is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

50. With reference to Debt Recovery Tribunals (DRTs), consider the following statements:

1. They are established under the Securitization & Reconstruction of Financial Assets & Enforcement of Security Interest (SARFAESI) Act, 2002.
2. Presiding Officer of the DRTs is appointed by the Central Government.
3. They have the power of civil courts, like summoning and enforcing the attendance of any witness at the tribunal.

Which of the above given statements is/are correct?

(a) 2 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1 and 3 only

51. With reference to Insolvency and Bankruptcy Board of India, consider the following statements:

1. It is a statutory body established under the Insolvency and Bankruptcy Code, 2016.
2. It functions under the administrative control of the Ministry of Corporate Affairs.
3. It conducts examination for enrollment of insolvency professionals (IPs) in India.
4. It acts as an adjudicating authority for deciding the application for insolvency for companies.

Which of the above given statements are correct?

(a) 2, 3 and 4 only
(b) 2 and 3 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

52. Consider the following statements regarding the consequences of including the financial institutions in the Prompt Corrective Action (PCA) framework:

1. It limits the branch expansion efforts of these financial institutions.
2. It prevents these financial institutions from investing in Government Securities.
3. It provides these financial institutions with more independence in governance matters.
4. It requires promoters and shareholders to inject more capital into these financial institutions.

Which of the above given statements are correct?

(a) 2, 3 and 4 only
(b) 1 and 4 only
(c) 1, 2 and 4 only
(d) 1, 2, 3 and 4

53. Which among the following best describes the concept of "Liquidity Trap" in an economy?

(a) A sudden outflow of foreign investment leads to a shortage of capital liquidity in the financial market.
(b) A sudden stagnation in the credit market due to central banks' tight monetary policy.
(c) An economic situation where most of the bank's capital is tied up in illiquid assets, potentially contributing to the risk of bank failure.
(d) A situation where interest rates are so low that expansionary monetary policy becomes ineffective in stimulating economic growth.

54. Consider the following statements:

Statement-I: Full reserve banking provides greater stability against bank runs than fractional reserve banking.

Statement-II: Unlike in Fractional Reserve Banking, in Full Reserve Banking the banks are not allowed to lend out money that they receive from customers in the form of demand deposits.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct and Statement II explains Statement I.
(b) Both Statement I and Statement II are correct, but Statement II does not explain Statement I.

(c) Statement I is correct, but Statement II is incorrect.
(d) Statement I is incorrect, but Statement II is correct.

55. With reference to banking sector in India, consider the following pairs:

Ratio	Indicates
1. Credit Deposit Ratio	Percentage of loans a bank has issued relative to its total deposits.
2. Liquidity Coverage Ratio	The percentage of current and saving deposits in the total deposits of the bank.
3. Provisioning Coverage Ratio	Percentage of funds that a bank sets aside for covering losses due to bad debts.

How many of the above pairs are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

56. Which of the following are benchmarks that banks in India can use for setting lending rates under the External Benchmark-based Lending Rate (EBLR) system?
1. Reserve Bank of India policy Repo rate.
2. 3 months Treasury bill yield published by Financial Benchmarks India Private Ltd.
3. Yield on corporate bonds.

Select the correct answer using the code given below:
(a) 1, 2, and 3
(b) 1 and 2 only
(c) 1 and 3 only
(d) 1 only

57. As per the Reserve Bank of India (RBI), which of the following are among the criteria required for the transition of Small Finance Banks (SFBs) into Universal Banks?

A Small Finance Bank must:
1. have a minimum audited net worth of ₹1,000 crore at the end of the previous quarter.
2. must have its shares listed on a recognized stock exchange.
3. must maintain a minimum capital adequacy ratio of 10%.

Select the answer using the code given below:
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

58. Consider the following statements about the Society for Worldwide Interbank Financial Telecommunication (SWIFT):
1. It is a messaging system that facilitates safe and secure financial transactions but does not settle such transactions.
2. It is owned by the 63 central banks representing countries from around the world.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

59. Which one of the following can increase the money multiplier in an economy?
(a) Increased banking habits of the people
(b) Increase in the interest rates by Central bank
(c) Higher cash reserve ratio (CRR)
(d) Increase in the yield of Government Bonds

60. With reference to the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, consider the following statements:
1. It is applicable only to scheduled commercial banks and does not cover cooperative banks.
2. The act provides the legal basis for the set up of Asset Reconstruction Companies.
3. A borrower has the right to appeal against actions taken under SARFAESI before the Debt Recovery Tribunal (DRT) within 30 days.

Which of the statements given above are correct?
(a) 1 and 3 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2, and 3

61. In the context of Indian economy, consider the following:
1. Currency with the public.
2. Demand Deposits (DDs) with banks.

3. Time Deposits (TDs) with banks.
4. Certificates of Deposit issued by Banks.
5. Deposits of international agencies such as the International Monetary Fund with RBI.

How many of the above are included under the monetary aggregate of Broad Money (M3)?

(a) Only two
(b) Only three
(c) Only four
(d) All five

62. With reference to Reserve Bank – Integrated Ombudsman Scheme (RB-IOS), 2021, consider the following statements:

1. It aims to provide cost-free redressal of customer complaints against RBI regulated entities.
2. The Credit Information Companies come under the ambit of the scheme.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

63. With reference to the Non-Resident External (NRE) Account, consider the following statements:

1. It is a facility for Non-Resident Indians to deposit their earnings from abroad.
2. Both deposits into and withdrawals from the account can only be done in foreign currency.
3. Under NRE Accounts, the Non-Resident Indians can only open Term deposit accounts.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

64. With reference to Urban Cooperative Banks (UCBs) in India, consider the following statements:

1. They are exempted from obtaining licenses from RBI for commencing banking operations.
2. They can issue equity shares and preference shares.
3. They are not allowed to lend money for agricultural purposes.

Which of the statements given above is/are correct?

(a) 1 and 3
(b) 2 only
(c) 2 and 3
(d) 1 and 2

65. With reference to Pradhan Mantri Mudra Yojana, consider the following statements:

1. It aims to facilitate collateral free loans of up to 1 crore to small and micro businesses.
2. Under the scheme, commercial banks are mandated to provide a minimum 25% loans to the agriculture sector.
3. Loans under the yojana can be issued by both Commercial Banks and Non-Banking Financial Companies (NBFCs).

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 3 only

66. Reserve Bank of India (RBI) uses various Monetary Policy tools to control the inflation in the economy. In this context, consider the following information:

Monetary Policy instrument	Description	RBI's approch to control inflation
1. Repo Rate	Interest rate at which RBI lends money to commercial banks by keeping collaterals	Increase
2. Reverse Repo Rate	Interest rate at which banks deposit their funds with the RBI with collateral requirement.	Decrease
3. Bank Rate	Interest rate at which RBI lends money to commercial banks without keeping collaterals	Increase

4. Standing Deposit Facility	Interest rate at which banks deposit their funds with the RBI without any collateral requirement.	Decrease

In how many of the above rows is the given information correctly matched?
(a) Only one
(b) Only two
(c) Only three
(d) All four

67. With reference to Operation Twist, consider the following statements:

Statement I: Through Operation Twist, RBI aims to reduce interest rates on long-term government bonds.

Statement II: Operation Twist of RBI involves the simultaneous purchase of short-term government bonds and the sale of long-term government bonds.

Which one of the following is correct regarding the above statements?
(a) Both Statement I and Statement II are correct, and Statement II is the correct explanation for Statement I.
(b) Both Statement I and Statement II are correct, but Statement II is not the correct explanation for Statement I.
(c) Statement I is correct, but Statement II is incorrect.
(d) Statement I is incorrect, but Statement II is correct.

68. With reference to the Reserve Bank of India (RBI), consider the following functions:
1. Issuing commemorative coins.
2. Collection and compilation of data relating to foreign exchange reserves
3. Regulating all the Merchant Banks in India.
4. Operating the NEFT (National Electronic Funds Transfer) system.

How many of the above are functions of the Reserve Bank of India (RBI)?
(a) Only one
(b) Only two
(c) Only three
(d) All four

69. In context to the digital payment infrastructure in India, consider the following statements:
1. The Unified Payments Interface (UPI) is built over the Immediate Payment Service (IMPS) infrastructure.
2. 'UPI Lite X' allows for offline payments without internet connectivity.
3. The 'UPI 123 PAY' which is an instant payment system for feature phones, allows a per day transaction limit of Rs.5,000.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

70. With reference to Banking operations in India, what is the primary objective of the Variable Rate Repo (VRR)?
(a) To inject short-term liquidity into the banking system.
(b) To give loans to banks without any requirement for collaterals.
(c) To provide long term loans to banks typically with a tenure of more than 3 years.
(d) To provide loans to banks at an interest rate lower than Reverse Repo rate.

71. Consider the following statements about the Financial Stability and Development Council:
1. It is a statutory body.
2. It is headed by the Governor of the Reserve Bank of India.
3. Its primary function is to frame the guidelines based on which grants-in-aid are given by the centre to states.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

72. Consider the following options:
1. Deposits of Commercial Banks held with RBI
2. Foreign Exchange Reserves held by RBI
3. Loans given by RBI to the Government
4. Currency notes issued by the RBI

How many of the above are assets of the Reserve Bank of India (RBI)?
(a) Only one
(b) Only two
(c) Only three
(d) All four

73. Which of the following best describes 'Project Nexus', an international initiative recently in the news?

(a) A framework to harmonize global corporate tax rates for multinational corporations.
(b) A program to coordinate fiscal stimulus measures among G20 nations.
(c) A project to create a unified regulatory framework for digital currencies in emerging economies.
(d) A multilateral international initiative to enable instant cross-border retail payments.

74. Which of the following statements best describes the term "seigniorage"?

(a) It refers to the fee charged from a merchant by a bank for accepting payments from customers through credit and debit cards.
(b) It refers to the difference between the face value of a currency note and its actual production cost.
(c) It refers to the costs incurred by the government agencies in exchanging Rupee with the other foreign currencies.
(d) It refers to the losses incurred by the RBI in exchanging soiled notes and notes with missing numbers.

75. Consider the following statements with regard to the National Bank for Agriculture and Rural Development (NABARD):

1. It was established on the recommendations of Narasimhan Committee.
2. It provides long-term refinance to commercial banks for providing loans for farm and non-farm activities.
3. It is accredited as a National Implementing Entity under the Green climate Fund.
4. It is responsible for the supervision of Regional Rural Banks.

Which of the above given statements are correct?

(a) 1, 2 and 3 only
(b) 2 and 3 only
(c) 2, 3 and 4 only
(d) 3 and 4 only

76. With reference to the Pradhan Mantri Jan-Dhan Yojana (PMJDY), which of the following options is incorrect?

(a) There is no minimum balance requirement for PMJDY bank accounts.
(b) It offers bank account holders accidental insurance coverage of up to 2 lakhs.
(c) An overdraft facility of up to Rs.1 lakhs is provided to bank account holders.
(d) More than half of the PMJDY bank account holders are women.

77. With reference to monetary policy in India, the term 'bank rate' refers to the rate at which:

(a) RBI lends money to commercial banks without the requirement of collaterals.
(b) Commercial banks park excess funds with RBI for a short period of time.
(c) RBI sells government securities in the market as part of Open Market Operations (OMOs).
(d) Commercial banks borrow short-term loans from RBI against approved securities.

78. With reference to the velocity of circulation of money, consider the following statements:

1. It refers to the number of times a unit of money changes hands during a particular period.
2. A high velocity of circulation of money may indicate inflationary trends in an economy.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

79. Consider the following financial entities:

1. Regional Rural Banks (RRBs)
2. Local Area Banks
3. Land Development Banks

How many of the above entities are permitted to participate in the Call/Notice Money market both as lenders and borrowers by the Reserve Bank of India?

(a) Only one
(b) Only two
(c) All three
(d) None

80. With reference to the Monetary policy instruments in India, what is/are the difference/differences between the Standing Deposit Facility (SDF) and the Reverse Repo:

1. The SDF does not require collateral, whereas the Reverse Repo involves lending against government securities as collateral.

2. The interest rate under the SDF is typically higher than that of the policy Repo Rate while interest rate under the Reverse Repo is typically lower than that of the policy Repo Rate.

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

81. In the context of economics, the term 'sterilisation' refers to:
(a) the use of fiscal policies, such as tax cuts or government spending, to control foreign exchange inflows.
(b) the process of increasing the money supply by printing more currency to stimulate economic growth.
(c) the mechanism to offset the impact of foreign exchange inflows and outflows on the domestic money supply by using monetary tools like open market operations.
(d) the act of devaluing the currency to attract foreign investment by making assets cheaper for foreign investors.

82. With reference to the Market Stabilisation Scheme (MSS), consider the following statements:
1. Under the MSS, the RBI issues government securities with the primary objective of absorbing excess liquidity from the economy.
2. MSS securities are typically in the form of Treasury Bills and dated government securities.
3. The proceeds from the issuance of MSS securities are maintained in a separate account which is maintained by the RBI.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

83. To ensure financial stability, the Reserve Bank of India (RBI) imposes the Prompt Corrective Action (PCA) framework on banks based on the breach of certain financial parameters by the banks. Which of the following are among these parameters?
1. Non-Performing Assets (NPAs)
2. Capital to Risk-weighted Assets Ratio
3. Liquidity Coverage Ratio (LCR)

Select the correct answer using the code given below:
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

84. Priority Sector Lending is an most appropriate example of which of the following credit control methods?
(a) Moral suasion
(b) Direct action
(c) Margin requirement
(d) Credit rationing

85. With reference to the Monetary Policy Committee (MPC) of Reserve Bank of India, consider the following statements:
1. It has been set up under the RBI Act, 1934.
2. It is responsible for fixing key policy rates in the country.
3. The governor of RBI, while acting as the chairman of the committee, has a casting vote in the case of equality of votes while deciding any question which comes up before the committee.
4. There shall be at least four meetings of MPC organised in a year.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2, 3 and 4 only
(c) 3 and 4 only
(d) 1, 2, 3 and 4

86. Consider the following statements with respect to the Digital Banking Units (DBUs) in India:
1. Regional Rural banks with past digital banking experience are permitted to open DBUs.
2. They are not allowed to offer credit cards to their customers.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

87. With reference to the functions of Small Finance Banks (SFBs), consider the following statements:

1. They are permitted to provide remittance services.
2. At least 50% of their loan portfolio should constitute loans and advances of up to 25 lakhs.
3. They can set up subsidiaries to undertake non-banking financial activities.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

88. With reference to Regional Rural Banks (RRBs), which of the following statements is/are correct?

1. They are mandated to allocate a minimum of 75% of their Adjusted Net Bank Credit (ANBC) towards Priority Sector Lending (PSL).
2. They are not permitted to borrow funds under the repurchase operations (repo) facility of the Reserve Bank of India (RBI).

Select the answer using the code given below:

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

89. With reference to the Indian Economy, Consider the following statements:

Statement I: It is highly likely that the Currency deposit ratio (CDR) will decrease during the festival seasons in India.

Statement II: Cash withdrawals by the banking customers rise as they prepare for increased spending on festivities, entertainment, and travel during festive seasons.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I.
(b) Both Statement-I and Statement-II are correct but Statement-II does not explain Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

90. Consider the following statements regarding the Reserve Bank of India (RBI) Act, 1934:

1. It mandates the RBI to function as the banker for the Central Government
2. It empowers the RBI to announce a series of banknotes of any denomination to be invalid.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

91. With reference to the macroeconomics, the paradox of thrift states that:

(a) high levels of savings rate in the economy may lead to decrease in economic growth.
(b) higher consumer spending reduces the need for government intervention in the economy.
(c) increasing tax rates beyond a certain point will lead to reduced tax revenue for the government.
(d) household spending increases during recession and decreases during boom period.

92. With reference to Priority Sector Lending in India, consider the following:

1. Loans to Self Help Groups (SHGs) directly engaged in Agriculture and Allied Activities.
2. Loans to units in the Khadi and Village Industry sector
3. Loans to farmers under Kisan Credit Card Scheme.

How many of the above loans given by scheduled commercial banks can be considered as part of Priority Sector Lending?

(a) Only one
(b) Only two
(c) All three
(d) None

93. Which one of the following statements correctly describes 'Shadow pricing'?

(a) It is a practice of assigning a monetary value to an item, commodity, or service that is ordinarily not bought and sold in the marketplace.
(b) It is a method used to set prices for goods and services before their release in the open market.
(c) It is a process used by companies to estimate the cost of producing a product or service.
(d) It is a pricing strategy used by companies to inflate the price of their products or services above the market rate.

94. During the Covid 19 pandemic crisis, people started saving more and spending less. Even after the pandemic has ended, still people continue to spend less, this phenomenon is known as?

(a) Monetarism theory
(b) Keynesian Economics
(c) Capital flight
(d) Hysteresis in Economics

95. What are the possible impacts of monetary tightening of the US federal reserve in India?

1. It may make investing in India less attractive for foreign investors.
2. It may increase the cost of imports for India.
3. It may increase the current account deficit for India.

Select the correct answer using the code given below:

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

96. Consider the following:

1. Individual deposits with payments banks
2. Inter bank deposits
3. Deposits of foreign governments

How many of the above given deposits in India are insured by Deposit Insurance and credit guarantee corporation (DICGC) under its deposit insurance facility?

(a) Only one
(b) Only two
(c) All three
(d) None

97. With regards to inflation targeting in India, which of the following statements is/are correct?

1. The RBI solely determines the inflation target, in terms of the Consumer Price Index, once in every five years.
2. RBI's flexible inflation targeting places price stability as the primary objective of the monetary policy.
3. If the RBI fails to meet the inflation target, then a new monetary policy committee will be formed to address the issue.
4. The monetary policy committee determines the policy interest rates required to achieve the inflation target.

Select the correct answer using the code given below:

(a) 1, 3 and 4 only
(b) 2 only
(c) 2 and 4 only
(d) 2, 3 and 4 only

98. Which among the following will most likely lead to an increase in the money multiplier in the economy?

1. Increase in the Cash Reserve Ratio
2. Increase in the banking habit of the people
3. Decrease in bank rate
4. Increase in the repo rate

Select the correct answer using the codes given below:

(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1 and 4 only
(d) 2 and 3 only

99. Consider the following statements regarding Priority Sector Lending (PSL):

1. The concept of PSL norms was first introduced in India in 2008 due to setbacks received as a result of global financial crisis.
2. Loans given to renewable energy projects can be included under PSL obligations.
3. PSL Norms are not applicable to Non-Banking Financial Companies.
4. Regional Rural Banks are required to lend 75% of their Adjusted Net Bank Credit under Priority Sectors Lending.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2, 3 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

100. What are Neo Banks ?

(a) A type of differentiated bank providing only current and saving deposit accounts without any credit facility.
(b) Non-Banks which are offering a limited range of banking services on a smaller scale.
(c) An entity that purchases the bad loans of other banks and tries to auction these in the market.
(d) Entities providing banking services generally in a digital, online only mode.

101. Funds availed under Kisan Credit Card (KCC) scheme can be used by farmers for which of the following purposes?

1. Post-harvest expenses
2. Consumption requirements of household
3. Short-term credit requirements for cultivation of crops
4. Working capital for maintenance of farm assets

Select the correct answer using the codes given below:

(a) 1 and 3 only
(b) 1, 2, 3 and 4
(c) 1, 3 and 4 only
(d) 2 and 4 only

102. With reference to 'Integrated Ombudsman Scheme', consider the following statements:

1. The Scheme was launched under the provisions of the Payment and Settlement Systems Act, 2007.
2. It provides for redressal of customer complaints involving deficiency in services by RBI regulated entities.
3. The services rendered by scheduled Urban Cooperative Banks are not covered under the scheme.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) 1 and 3 only

103. With reference to 'Standing Deposit Facility', consider the following statements:

1. It was first recommended by the Urjit Patel committee report in 2014.
2. The objective of the facility is to considerably increase the money supply in the banking sector.
3. Standing Deposit Facility is a collateral-free arrangement.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

104. Which one of the following will be the most likely implication of the increase in repo rate by 1% by Reserve Bank of India?

(a) Increase in credit offtake in the market by corporates and investors.
(b) Yield of the government bonds will definitely decrease in the long run.
(c) Borrowing costs for individuals and businesses may increase.
(d) Inflation will increase due to excessive money circulation in the market.

105. With reference to "Tokenisation of cards", consider the following statements:

1. Tokenised transactions provide extra protection to the credit card's data.
2. Tokenised transactions are usually faster as compared to traditional card transactions.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

106. Arrange the following events regarding the development of the Indian banking system in the correct chronological order.

1. Enactment of the Banking Regulation Act
2. Nationalization of fourteen major commercial banks
3. Introduction of Electronic Funds Transfer (EFT) system
4. Establishment of Regional Rural Banks

Select the correct answer using the codes given below:

(a) 2-1-3-4
(b) 1-2-4-3
(c) 1-3-2-4
(d) 2-3-1-4

107. Consider the following statements:

1. The SARFAESI Act protects only secured creditors while Insolvency and Bankruptcy Code protects both secured and unsecured creditors.
2. Insolvency and Bankruptcy Code shall prevail over provisions of the SARFAESI, if there is any inconsistency between the two.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

108. With reference to Payment Banks and Small Finance Banks, consider the following statements:

1. Unlike Small Finance Banks, Payment Banks are allowed to lend money to their customers.
2. Unlike Small Finance Banks, Payment Banks can accept fixed deposits or recurring deposits.
3. Unlike Small Finance Banks, Payment Banks cannot invest their deposits in government securities.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

109. With reference to 'National Bank for Agriculture and Rural Development (NABARD)', consider the following statements:

1. It is a wholly owned financial institution of the Reserve Bank of India.
2. It provides refinance facilities to various institutions which helps in development of rural economy.
3. The Rural Infrastructure Development Fund (RIDF) is maintained by the NABARD.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

110. Which among the following form a part of High-Powered Money?

1. Currency held by the public
2. Vault cash of commercial banks
3. Deposits held by the Government of India with the RBI

Select the correct answer using the codes given below:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

111. Consider the following statements regarding Cooperative Banks in India:

1. All cooperative banks are registered under Banking Regulation Act, 1949.
2. Non-banking aspects of the cooperative banks are regulated by the National Bank for Agriculture and Rural Development (NABARD).
3. Recently, RBI approval has been made mandatory for appointment of chairman of Cooperative Banks.

Which of the above given statements is/are correct?

(a) 1 only
(b) 3 only
(c) 2 and 3 only
(d) None of the above

112. With reference to 'Prompt Corrective Action Framework (PCA)' for Scheduled Commercial Banks, consider the following statements:

1. The framework does not apply to Payment Banks and Small Finance Banks in India.
2. The profitability parameter of the banks is mainly considered by RBI for triggering the action framework.
3. A bank can be placed under the PCA framework only on the recommendation of the Department of Financial Services, Ministry of Finance.
4. Even when a Bank is placed under PCA, no restriction can be imposed on branch expansion.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 1, 2 and 3 only
(d) 3 and 4 only

113. With reference to the Indian economy, which of the following are correct with respect to Additional Tier 1 (AT1) Bonds?

1. They are a type of secured bonds compulsorily backed by a collateral.
2. They do not have a maturity period.
3. Banks issuing AT1 bonds have no obligation to pay back Principal amount to investors.
4. They cannot be traded in secondary markets.

Select the correct answer using the code given below:

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 2 and 4 only

114. When there is a significant increase in the time deposits of the banks, which of the following standard measures of money supply in an economy would increase?

1. Reserve Money (M0)
2. Narrow Money (M1)
3. Broad Money (M3)

Select the correct answer using the codes given below:

(a) 1 only
(b) 2 and 3 only
(c) 3 only
(d) 1 and 3 only

115. With reference to the liquidity management, Regional Rural banks (RRBs) are allowed to access which of the following instruments?

1. Liquidity Adjustment Facility
2. Marginal Standing Facility
3. Call Money Market
4. Notice Money market

Select the correct answer using the codes given below:

(a) 1 and 3 only
(b) 2 and 4 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

116. Consider the following statements:

1. The lowering of bank rate by the Reserve bank of India may lead to more liquidity in the market.
2. An increase in Statutory Liquidity Ratio means that commercial banks will have less money for lending.
3. Loan-to-value is a ratio used in mortgage lending to determine the amount necessary to put in a down-payment.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 only
(c) 2 and 3 only
(d) 1, 2 and 3

117. Consider the following statements regarding Real-Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT):

1. RTGS is available round the clock throughout the year, whereas transactions under NEFT can be carried out only during the bank working hours.
2. Both the modes of payment are not bound by any upper or lower threshold of the transaction amount.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

118. Consider the following statements:

1. Under Liquidity adjustment facility (LAF), only scheduled commercial banks are eligible to access funds from RBI.
2. Under Marginal standing facility (MSF), banks cannot borrow money by pledging Government Securities that are part of bank's SLR (Statutory Liquidity Ratio) quota.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

119. With reference to Account Aggregator (AA) Framework, consider the following statements:

1. Account Aggregator is a Reserve Bank of India-regulated Non-Banking Financial Company (NBFC).
2. Account Aggregator cannot retrieve or share the financial information of the customer without the explicit consent of the customer.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

3.2. Inflation

120. Consider the following statement regarding the different indexes used to measure inflation:

1. Both Wholesale Price Index (WPI) and Consumer Price Index (CPI) capture the changes in the prices of goods and services.
2. The Reserve Bank of India (RBI) has adopted the CPI as its key measure of inflation.
3. The basket of goods and services used to compute the GDP deflator changes automatically over time.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) 1 and 3 only

121. With reference to Galloping Inflation, consider the following statements:
1. During galloping inflation, people try to get rid of currency by buying physical assets.
2. During galloping inflation, exporters will be much less motivated to export their products.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

122. Consider the following statements with respect to the impact of inflation:
1. Increase in inflation can lead to depreciation in the value of Indian rupee.
2. Rise in inflation rate will likely increase borrowing costs for businesses.
3. A decline in inflation leads to an increase in the savings rate.
4. Inflation may lead to a significant decrease in value of assets with adjustable cash flows.

Which of the statements given above are correct?
(a) 2 and 3 only
(b) 1, 3 and 4 only
(c) 1, 2 and 3 only
(d) 2 and 4 only

123. Which of the following measures by the government will help in containing inflation in Food Commodities?
1. Imposing stock limits to avoid hoarding.
2. Increasing import duties on import of food commodities
3. Banning future and option contract trading in agricultural commodities

Choose the correct answer using code given below:
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

124. Which of the following statements are correct with respect to the All India House Price Index?
1. It is published by the Reserve Bank of India.
2. The base year for price calculations under this index is 1986-87.
3. The index is released for all the state capital cities of India.

Choose the correct answer from the code given below:
(a) 1 only
(b) 3 only
(c) 1 and 2 only
(d) 1 and 3 only

125. Which of the following items are included in calculation of both Consumer price index (CPI) and Wholesale price index (WPI) in India?
1. Fuel items
2. Electricity
3. Transportation Services
4. Educational Services
5. Food items

Choose the correct answer using the code given below:
(a) 1, 2 and 5 only
(b) 1,2, 3 and 5 only
(c) 2,3 and 4 only
(d) 2, 4 and 5 only

126. Which of the following statements best describes the term 'Inflation Premium'?
(a) It implies an erosion in the value of cash held by the people.
(b) It refers to the benefit brought by inflation to the borrowers.
(c) It signifies a situation where the supply falls drastically and the demand remains at the same level.
(d) It means a reinforcing mechanism where inflation and wage rates mutually drive each other at higher levels.

127. Which among the following options correctly describes the term 'Inflationary Gap'?
(a) It refers to the difference between the actual GDP and the potential GDP of an economy operating at full employment.
(b) It indicates an economic cycle characterized by slow growth and a high unemployment rate accompanied by inflation.
(c) It is the measure of the changes in prices for all the goods and services produced in an economy.
(d) It refers to the overall change in consumer prices over time, based upon a representative basket of goods and services.

128. Consider the following actions taken by the Government or the Reserve Bank of India (RBI):

1. A tax rebate announced by the government.
2. Increasing taxes on petroleum and diesel by the government.
3. Initiating a massive infrastructure development program by the government.
4. Increasing the repo rate by the RBI.

How many of the actions mentioned above are likely to cause a demand-pull inflation in the economy?

(a) Only one
(b) Only two
(c) Only three
(d) All four

129. Consider the following pairs:

Inflation Related Terminologies	Examples
1. Skewflation	A substantial increase in prices of vegetables, cereals and pulses as compared to the pharmaceutical products.
2. Stagflation	An unintended decrease in unemployment despite an increase in inflation and wage rates.
3. Base Effect	Inflation appears to be high in a given month due to a low inflation rate in the same month of the previous year.

How many pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

130. With reference to differences between Disinflation and Deflation, consider the following statements:

1. Deflation means a fall in prices of commodities, while disinflation means a slowdown in the rate of inflation.
2. Deflation will always lead to a decrease in the value of money whereas disinflation will always lead to an increase in the value of money.
3. Compared to disinflation, deflation is good for the financial markets.

Which of the above statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) None of the above

131. What do you understand by the term 'fisher effect' in Economy?

(a) It explains the impact of inflation on the real interest rates in an economy.
(b) It establishes a relationship between fiscal deficit and unemployment rate in an economy.
(c) It describes the impact of current account deficit levels on the value of the rupee in international markets.
(d) It explains the relationship between tax rates and savings rates in an economy.

132. With respect to the NHB Residex, consider the following statements:

1. It is India's first-ever official residential price index.
2. It is prepared by National Housing Bank on behest of Ministry of Housing and Urban Affairs.
3. The index can predict future trends of the housing market prices in India.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1 only
(d) 2 and 3 only

133. Which of the following is likely to have the most inflationary effect on the economy?

(a) Increasing taxes to reduce the government debt.
(b) Implementing a farm loan waiver scheme by the Government.
(c) Securing loans from international financial institutions by the Government to fund a budget deficit.
(d) Printing of new currency by the Reserve Bank of India (RBI) to finance government expenditures.

134. Consider the following pairs about Index and the associated organization which releases it:

Index	Released by
1. Wage Rate Index (WRI)	Labour Bureau

2. Housing price index (HPI)	Ministry of Housing and Urban Affairs
3. Consumer Price Index (CPI)- Combined	National Statistical Office

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

135. Consider the following:

1. High unemployment rates.
2. Decrease in the purchasing power of money.
3. Decrease in tax revenue to the government.
4. Increase in investment in fixed rate bonds.
5. Flight of Foreign Investment from capital market.

How many of the above are possible outcomes when the economy is facing from stagflation?

(a) Only two
(b) Only three
(c) Only four
(d) All five

136. With reference to Inflation, consider the following statements:

1. Depreciation of currency.
2. Decrease in Industrial output.
3. Increase in the government spending.
4. Decreasing interest rates in the economy.
5. Decrease in personal income tax rate.

Cost-push inflation can be caused/increased by how many of the above?

(a) Only two
(b) Only three
(c) Only four
(d) All five

137. Consider the following statements:

Statement-I: Historically, inflation in advanced economies has generally been lower than in emerging markets and developing economies (EMDEs).

Statement-II: Advanced economies typically have more stable monetary systems, better-developed financial institutions, and stable currencies.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct but Statement-II is not the correct explanation for Statement for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

138. In context of economy which of the following statements best describes the meaning of the term "Base effect"?

(a) It is the impact of exchange rate fluctuations on import and export prices.
(b) It is the influence of a country's economic policies on its long-term growth potential.
(c) It is the impact of the price levels of previous years on the calculation of inflation rate in the current year.
(d) It is the effect of changes in global commodity prices on a country's trade balance.

139. With reference to 'Producer Price Index (PPI), consider the following statements:

1. It measures the average change in prices of goods and services received by the producer and excludes indirect taxes.
2. It does not include services.
3. India uses PPI as a deflator for nominal macroeconomic aggregates like GDP.

Which of the above statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) None of the above

140. With reference to inflation, consider the following statements:

1. Inflation generally benefits borrowers.
2. Inflation typically leads to an increase in bond yields.
3. Inflation can encourage more equity investments.
4. Inflation often makes imports more expensive.
5. Inflation can result in a decrease in consumer spending power.

How many of the above effects of inflation are correct?

(a) Only two
(b) Only three
(c) Only four
(d) All five

141. With reference to Economic terms, consider the following pairs:

Term	Meaning
1. Disinflation	A general drop in price levels in an economy, resulting in negative inflation.
2. Reflation	Stimulates economy and combats deflation.
3. Skew-flation	Price rise of one or a small group of commodities compared to other commodities.
4. Hyperinflation	Large and accelerating inflation.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

142. Consider the following measures taken by RBI/government:

1. Increasing the interest rates of small saving schemes by the government.
2. Reducing CRR (Cash Reserve Ratio) by RBI.
3. Increasing income tax rates by the government.
4. Increasing subsidies by the government.
5. Offering higher MSP to farmers by the government.

How many of the above measures will **not** be adopted by the RBI/government to fight deflation?

(a) Only two
(b) Only three
(c) Only four
(d) All five

143. Consider the following statements:

Statement-I: The inflation premium compensates investors for the expected decrease in purchasing power of money over time.

Statement-II: The demand for inflation premium is high when there is deflation in the economy.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement- I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

144. Which one of the following statements correctly describes the term 'Greedflation' sometimes seen in the news?

(a) It signifies an increase in inflation driven by excessive consumer spending.
(b) It represents a condition in which individuals hoard essential goods leading to supply shortages and price spikes.
(c) It refers to an increase in the cost of living of people due to the destruction of natural resources.
(d) It signifies an increase in inflation driven by corporate greed and price manipulation.

145. Consider the following statements regarding the Producer Price Index (PPI):

Statement-I: It has replaced Wholesale price index for measuring inflation in most of the G-20 countries.

Statement-II: It excludes taxes, trade margins, and transport costs for better measurement of inflation at the production level.

Statement-III: It includes the price of imported goods while calculating the index.

Which one of the following is correct in respect of the above statements?

(a) Both Statement II and Statements III are correct and both of them explain Statement I.
(b) Both Statement II and Statement III are correct but only one of them explains Statement I.
(c) Only one of Statements II and III is correct and that explains Statement I.
(d) Neither Statement II nor Statement III is correct

146. In the context of Indian economy, "Bracket Creep" refers to the situation where:

(a) inflation pushes taxpayers into higher income tax slabs, increasing their tax burden even if their real income remains the same.

(b) inflation in the economy exceeds the prescribed limits due to sudden supply side constraints.
(c) prices of goods increase at a very slow but continuous pace.
(d) increase in the tax rates beyond certain limits reduces the overall revenue of the government.

147. In the context of macro-economics, which of the following best describes the term "Biflation"?
(a) The simultaneous occurrence of inflation and deflation in different sectors of the economy.
(b) The period of hyperinflation followed by rapid deflation.
(c) The situation where both unemployment and inflation rates are high.
(d) The scenario where inflation is concentrated in specific sectors while other sectors remain stable.

148. Consider the following statements:

Statement-I: Core inflation is generally more stable than headline inflation.

Statement-II: The headline inflation includes the prices of fuel and food items whereas the core inflation does not include them.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II does not explain Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

149. With reference to the economic theory, the Pigou Effect explains how:
(a) deflationary conditions in the economy boosts consumption and employment.
(b) higher interest rates in the economy lead to reduced consumption.
(c) high inflation levels lead to reduction in overall saving rates in the economy.
(d) price drop of goods decreases the demand for such goods.

150. 'Deflationary Gap' is a situation when-
(a) aggregate demand is more than supply in an economy.
(b) there is a severe and prolonged economic downturn .
(c) real GDP of an economy is less than potential GDP
(d) nominal GDP of an economy is more than real GDP

151. With reference to Wholesale Price Index (WPI), consider the following statements:
1. It is published by the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation.
2. It does not include services in its calculation and primarily tracks price movements of goods at the wholesale level.
3. The effective prices for Manufactured Products used for compilation of WPI do not include indirect taxes.

Which of the statements given above is/are correct?
(a) 1 and 2
(b) 2 and 3
(c) 3 only
(d) 1 and 3

152. Which of the following factors can lead to demand-pull inflation in an economy?
1. Surge in government capital expenditure and welfare spending.
2. Increase in policy interest rates by the central bank.
3. Rapid rise in wages and employment levels in the economy.
4. Hike in Corporate tax.

Select the correct answer using the code given below.
(a) 1 and 2
(b) 1 and 3
(c) 2 and 3
(d) 3 and 4

153. In the context of the Consumer Food price Index (CFPI) in India, consider the following statements:
1. It is released by the Ministry of Consumers Affairs, Food and Public Distribution.
2. It is calculated on a monthly basis.
3. Cereals and related products occupy around one-third of the weight in CFPI.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2, and 3

154. In the context of Indian economy, consider the following statements:

Statement - I: The Reserve Bank of India (RBI), sets the inflation target to guide monetary policy.

Statement - II: The primary objective of Monetary policy according to the RBI Act, 1934, is to maintain price stability while keeping in mind the objective of growth.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I
(b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I
(c) Statement-I is correct, but Statement-II is incorrect
(d) Statement-I is incorrect, but Statement-II is correct

155. Suppose a scenario in the Indian Economy- "The Consumer Price Index (CPI) combined for continuous 7 months is below 0." The scenario best reflects:

(a) Deflation
(b) Disinflation
(c) Creeping inflation
(d) Skewflation

156. With reference to Indian economy, consider the following statements:

The Inflation may:

1. benefit the borrowers who have taken loans from the banks.
2. increase the government tax revenue.
3. benefit the individuals who deposited their money in time deposits.

How many of the statements given above are correct?

(a) Only one
(b) Only two
(c) All three
(d) None

157. High levels of inflation can have diverse impacts on various stakeholders in an economy. In this context, consider the following groups:

1. Lenders providing fixed-rate loans
2. Holders of fixed-income securities like bonds
3. Individuals subject to progressive taxation
4. Borrowers of fixed-rate loans

How many of the above are generally negatively impacted by high levels of inflation?

(a) Only one
(b) Only two
(c) Only three
(d) All four

158. With reference to the Consumer Price Index (CPI) in India, consider the following statements:

1. It is released by the Department of Consumer Affairs under the Ministry of Consumers Affairs, Food and Public Distribution.
2. It serves as the benchmark for inflation targeting under the monetary policy framework of the Reserve Bank of India.
3. The 'Food and Beverages' category holds the highest weightage in the CPI.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) 1, 2 and 3

159. Bottleneck inflation in an economy is primarily caused by:

(a) rapid increase in demand within a short period while supply remains unchanged.
(b) drastic fall in the supply of goods, while demand remains constant.
(c) rise in wages coupled with an increase in aggregate demand.
(d) sudden spike in the price of imported products

160. With reference to Indian economy, consider the following information

Term	Refers to	Action taken by Reserve Bank of India
1. Stagflation	Inflationary phase with stagnant economic growth	Significantly decreasing the repo rate
2. Reflation	Phase when the inflation increases in a seasonal pattern.	Increasing the repo rate

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3. Disinflation	characterized by a decrease in the rate of inflation	significantly increasing the repo rates and selling government securities in market

In how many of the above rows is the given information correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

161. With reference to Wholesale price Index (WPI), consider the following statements:

1. The base year for calculating the WPI in India is 2011-12.
2. The WPI basket includes only domestic goods and excludes imported goods.
3. The WPI does not account for the impact of taxes on the price rise of goods.

Which of the above given statements is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 1 only
(d) 1, 2 and 3

162. Consider the following:

1. Provision of subsidies to manufacturers
2. Increase in personal income tax
3. Promoting the creation of a unified national market for agricultural commodities

How many of the above measures are **not** likely to be taken by the government to reduce the cost-push inflation in the economy?

(a) Only one
(b) Only two
(c) All three
(d) None

163. In the context of economy, which of the following best describes the meaning of "Inflationary Spiral"?

(a) It refers to a scenario of extreme and rapid price increases that occur uncontrollably, often leading to economic instability.
(b) It describes a situation where some sectors of the economy are facing huge inflation, some sectors facing none inflation and some sectors facing deflation.
(c) It refers to a situation where rising inflation leads to an increase in wages, which in turn leads to further increase in prices.
(d) It occurs when a thriving economy, marked by surging GDP, fuels heightened consumer demand, causing prices to escalate continuously.

164. Consider the following pairs regarding Inflation indices and the authorities responsible for releasing them:

Indices	Released by
1. GDP Deflator	Department of Financial Services
2. Wholesale Price Index (WPI)	Office of Economic Advisor
3. All-India Consumer Price Index for Agricultural Labourers (CPI-AL)	The National Statistical Office (NSO)
4. RESIDEX	National Housing Bank (NHB)

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

165. In the context of macro-economics, the Phillips Curve illustrates:

(a) an inverse relationship between inflation and unemployment
(b) a proportional relationship between inflation and national income
(c) a proportional relationship between inflation and fiscal deficit
(d) an inverse relationship between inflation and interest rates

3.3. Money Market and Capital Market

166. With reference to the Government Security (G-Sec) in India, consider the following statements:

1. The central Government can issue both treasury bills and dated securities.
2. State Governments can issue only bonds or dated securities.
3. Foreign Portfolio Investors (FPIs) are not allowed to participate in the G-Secs market.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and3 only

167. With respect to the economy, which of the following statements is correct in respect of 'Bonds'?
(a) Bonds always offer fixed interest rates irrespective of the economic situation.
(b) Increase in the market interest rate often leads to an increase in the price of bonds.
(c) Bonds are a type of security that represents a loan made by an investor to a borrower.
(d) Bonds are risk-free investments with guaranteed returns.

168. With reference to Treasury bills(T-Bills), consider the following statements:
1. T-bills are zero-coupon bonds.
2. State governments do not have the authority to issue T-bills.
3. Retail investors are not eligible to purchase T-bills.
4. Banks can use T-bills to meet their Statutory Liquid Ratio (SLR) obligations.

How many of the statements given above are correct?
(a) Only one
(b) Only two
(c) Only three
(d) All four

169. Consider the following statements regarding 'T+0 trade settlement cycle' recently introduced by Securities and Exchange Board of India:
1. Under this system, securities and funds will be settled by the next day of the trade.
2. This settlement system may lead to the lowering of overall transaction costs of trading for both investors and brokerage firms.
3. It may make Indian markets more competitive globally.

Which of the statements given above is/are correct?
(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and3 only

170. Consider the following statements:

Statement I: In an economy, the bond yield decreases during the period of recession.

Statement II: During the economic recession, investors tend to sell equity shares and prefer to purchase the bonds.

Which one of the following is correct in respect of the above statements?
(a) Both Statement I and Statement II are correct, and Statement II is the correct explanation for Statement I.
(b) Both Statement I and Statement II are correct, and Statement II is not the correct explanation for Statement I.
(c) Statement I is correct, but Statement II is incorrect.
(d) Statement I is incorrect, but Statement II is correct.

171. With reference to Commercial Papers (CPs), consider the following statements:
1. They are secured financial instruments.
2. They have a maturity period varying from 1 year to 10 years.
3. Non-Resident Indians (NRIs) and foreign institutional investors (FIIs) can subscribe to Commercial Papers (CPs).

Which of the statements given above is/are correct?
(a) 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

172. Consider the following:
1. Certificate of Deposits (CD)
2. Commercial Paper (CP)
3. Cash Management Bill (CMB)
4. Treasury Bills(T-Bills)

How many of the above are issued by the commercial banks in India?
(a) Only one
(b) Only two
(c) Only three
(d) All four

173. With reference to Financial Instruments, consider the following statements:
1. Exchange Traded Funds are traded on the stock market like regular stocks while Mutual funds are traded at the end of the market day.
2. Exchange Traded Funds are generally considered more tax efficient for investors compared to mutual fund schemes.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

174. With respect to investments in capital markets, which of the following statements best describes the term "Momentum Investing"?

(a) It involves buying securities that are undervalued and holding them for long-term gains.
(b) It focuses on diversifying investment portfolio across various asset classes to minimize risk.
(c) It involves purchasing assets that are consistently rising in price while selling assets whose prices are falling.
(d) It entails investing in assets based on their recent market news, expecting short-term price movements driven by news sentiment.

175. In context to the capital market in India, which of the following correctly explains the meaning of 'short selling'?

It refers to the selling of shares
(a) at a loss due to the fear of further decline in stock prices.
(b) at a price lower than their face value.
(c) outside the stock exchanges.
(d) which the seller does not own himself.

176. Consider the following statements about Cash Management Bills (CMBs):

1. In India, the state Governments cannot issue CMBs.
2. The investments made by scheduled commercial banks in CMBs are eligible to be counted under their Statutory Liquidity Ratio requirements.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

177. Consider the following statements about the National Bank for Financing Infrastructure and Development (NaBFID):

1. It is a statutory body under the Ministry of Finance, Government of India.
2. It primarily issues short-term loans to the corporates to meet their working capital requirements.
3. It is allowed to raise funds by issuing bonds in the financial market.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) None of the above

178. In the context of primary capital markets, which of the following refers to the actual amount of money for which the company issued shares to the shareholders and payment was made by the shareholders?

(a) Authorised Share Capital
(b) Paid-Up Share Capital
(c) Subscribed Share Capital
(d) Issued Share Capital

179. Consider the following statements in the context of Additional Tier-1 (AT-1) bonds:

Statement I: Investors investing in these bonds generally receive a higher yield than investment in traditional bonds.

Statement II: They are perpetual bonds with no maturity date.

Which one of the following is correct in respect of the above statements?
(a) Both Statement I and Statement II are correct and Statement II explains Statement I.
(b) Both Statement I and Statement II are correct, but Statement II does not explain Statement I.
(c) Statement I is correct, but Statement II is incorrect.
(d) Statement I is incorrect, but Statement II is correct.

180. Consider the following pairs:

Terms	Description
1. Kerb Trading	Trading that takes place outside the purview of exchanges after official trading hours.
2. Share Warrants	Money is borrowed in a currency with low interest rates and reinvests the proceeds in higher-yielding assets elsewhere.

3. Carry Trade	Issued by public limited companies to raise fund by giving buyers the right to buy shares of a company at a specific price on a future date.

How many of the pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

181. Consider the following financial instruments:
1. Options
2. Swaps
3. Commercial Paper
4. Futures
5. Forwards

How many of the above are examples of derivatives?
(a) Only two
(b) Only three
(c) Only four
(d) All five

182. With reference to the Corporate Bonds in India, consider the following statements:
1. When a person buys a Corporate Bond, he gets a partial ownership in the issuing company.
2. As the market interest rate increases, generally the yield on corporate bonds also increases.
3. A company incorporated outside India cannot issue corporate bonds in India.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

183. With reference to the 'Chit Funds' in India, consider the following statements:
1. It is a type of pooled fund where members make periodical subscriptions to the fund.
2. Unlike a Nidhi Company, a Chit Fund company can distribute funds both to its members as well as outsiders.
3. Similar to Nidhi companies, Chit fund companies are regulated by the Ministry of Corporate Affairs, Government of India.

Which of the statements given above is/are correct?
(a) 1 and 2
(b) 1 only
(c) 2 and 3
(d) 3 only

184. In context to financial markets in India, consider the following activities:
1. Impact Investing
2. Front Running
3. Circular Trading
4. Cross Margining
5. Dabba Trading

Which of the above mentioned activities are prohibited in India?
(a) 1, 3 and 4
(b) 1, 2 and 5
(c) 2, 3 and 5 only
(d) 2, 3, 4 and 5

185. In context to the capital market, consider the following pairs:

Term	Meaning
1. Passive Fund	It is an investment vehicle that tracks a particular market index.
2. Scrip Share	Shares given to the employees of the company without any charge
3. Call Option	A financial instrument that gives the buyer the right to buy and the seller the obligation to sell

How many of the pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

186. With reference to the Corporate Bonds in India, consider the following statements:
1. They can only be traded in the primary market.
2. A company incorporated outside India cannot issue corporate bonds in India.

3. When an individual purchases a Corporate Bond, he/she becomes a part owner in the company which has issued that bond.

Which of the statements given above is/are correct?

(a) 1 and 2
(b) 2 only
(c) 2 and 3
(d) 1 and 3

187. In the context of Indian economy, consider the following statements regarding the Participatory Notes or P-Notes:

Statement I: P-Notes are considered as a type of Offshore Derivatives Instrument (ODI).

Statement II: P-Notes allows foreign companies to raise capital from Indian investors without listing their shares on Indian stock exchanges.

Which one of the following is correct in respect of the statements given above?

(a) Both statement -I and statement -II are correct and statement -II is the correct explanation for statement -I.
(b) Both statement -I and statement -II are correct and statement -II is not the correct explanation for statement -I.
(c) Statement -I is correct but statement -II is incorrect.
(d) Statement -I is incorrect but statement -II is correct.

188. With reference to Securities Market in India, Consider the following pairs:

Terms	Meaning
1. Bull Market	A market condition where prices of securities are rising and are expected to rise further
2. Short Selling	Buying shares at a lower price and selling at a higher price later
3. Private Placement	A method of raising funds by selling securities to a small group of select investors.

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

189. In context to financial markets, consider the following statements regarding the Credit Default Swap (CDS):

1. It provides protection to a creditor from uncertainty regarding repayments by the borrower.
2. It is prohibited in India.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

190. Consider the following functions:

1. Protecting the interests of investors in securities market
2. Regulation of payment and settlement systems in India
3. Registration and regulation of credit rating agencies
4. Granting approval to the Foreign Direct Investments under the Government route

Securities and Exchange Board of India (SEBI) performs how many of the above given functions?

(a) Only one
(b) Only two
(c) Only three
(d) All four

191. With reference to Capital market in India, consider the following statements about Infrastructure investment trusts (InvITs):

1. They are regulated by the Securities and Exchange Board of India (SEBI).
2. Retail investors are not allowed to invest in InvITs.
3. Both the interest income and the dividend from the deposits in Infrastructure investment trusts distributed to their depositors are taxable.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1,2 and 3

192. With reference to Treasury Bills (T-bills) in India, consider the following statements:

1. They are short-term debt instruments sold at a discount to their face value.
2. They can be issued by both the Government of India and the state governments.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

193. With reference to Money market in India, consider the following information:

Instrument	Can be Issued by	Feature
1. Commercial paper	Corporate house	Unsecured money market instrument
2. Certificate of deposit	Government of India	Issued against government's deposits with Reserve bank of India
3. Cash management Bill	Commercial banks	Helps to meet the temporary cash mismatches in balance sheet of commercial banks

In how many of the above rows is the given information correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

194. With reference to financial markets in India, consider the following statements about Nidhi companies:
1. They are registered under the Companies Act of 2013.
2. They are regulated by the Reserve Bank of India.
3. They can accept deposits only from their members.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1,2 and 3

195. Consider the following statements with reference to Government Securities (G-Secs):
1. Individuals cannot buy G-Secs in the primary market.
2. Non-scheduled Urban Cooperative Banks (UCBs) cannot buy G-Secs in the primary market.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

196. Consider the following statements with reference to Exhange Traded Funds (ETFs):
1. is a basket of securities that is traded on the stock exchange.
2. Like mutual funds, they are only traded once a day after the market closes.
3. There are no underlying assets involved in these operations.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

197. In context of Indian stock market, consider the following statements:
1. Scrip Issue is the process of creating new shares which are given free of charge to existing shareholders.
2. Badla is carrying forward of transactions from one settlement period to another without effective delivery.
3. Kerb dealings are the transactions of stocks which take place outside the stock exchanges.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

198. With reference to Call money Market, consider the following statements:
1. Call money is non-interest-earning financial loan with a set maturity date.
2. Call money is a short-term loan from one to 14 days made by a financial institution to another financial institution.

3. Call money is used by brokerage firms for short-term funding needs.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

199. Consider the following statements regarding 'Qualified Institutional Placement':

1. It is a tool used by Listed Companies to raise capital domestically from institutional investors.
2. Foreign Institutional Investors are barred by SEBI to invest in public companies through Qualified Institutional Placement route.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

200. With reference to Participatory notes (P-notes), consider the following statements:

1. They can only be issued by the Securities and Exchange Board of India.
2. Investments flowing through P-notes are considered as offshore derivative investments (ODIs).
3. Holder of P-notes enjoys voting rights in relation to his/her investment in securities/shares.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 2 only
(d) 1, 2 and 3

201. With reference to 'Commercial Paper', consider the following statements:

1. It is a short-term debt instrument issued to raise funds.
2. It is considered as an unsecured instrument as it is not backed by a collateral.
3. It can only be issued by scheduled commercial banks in India.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 only
(c) 2 and 3 only
(d) 1, 2 and 3

202. "It is a derivative instrument used by foreign companies to raise money in India. They are issued by domestic depository in India and are denominated in Indian Rupees. Just like equity share, they provide ownership in the company."

The above paragraph best describes which of the following financial instruments?

(a) Global Depository Receipts
(b) Participatory Notes
(c) Indian Depository Receipts
(d) Convertible Debentures

SOLUTIONS

3.1. Monetary Policy and Banking

1. Solution: (c)

Exp) Option c is the correct answer.

Monetary policy is the process by which monetary authority of India i.e RBI, controls the creation and supply of money in economy. A new policy framework agreement was signed between Government of India and RBI in February 2015. Accordingly, the Government of India has constituted monetary policy committee (MPC) in September 2016, which now determine the policy rates required to achieve the inflation target. RBI uses various tools for conducting monetary policy which includes repo rate, reverse repo rate, standing deposit facility, marginal standing facility etc.. among others.

RBI's Monetary policy has various limitations which includes the **limited direct control over supply-side factors** such as production, distribution, and availability of goods and services. The **RBI's monetary policy primarily influences demand-side factors** like interest rates and money supply which impacts inflation.

Statement 1 is correct. In a **liquidity trap, despite already low interest rates, investment and consumption tend to stay subdued.** This is because individuals and businesses opt to hoard cash instead of investing or spending, even in the face of low interest rates. Given that the **RBI predominantly relies on interest rate adjustments**, such as changes in the repo rate, to impact economic activity, its capacity to encourage borrowing and spending through additional rate cuts becomes restricted. Further reductions in interest rates might not strongly motivate borrowing and investment.

Statement 2 is correct. While the RBI has authority over monetary policy, **fiscal policy, including government spending, is determined by the government.** High government spending, particularly if financed through deficit financing, can contribute to inflationary pressures. RBI's ability to directly influence government spending is limited, affecting its effectiveness in controlling inflation.

Statement 3 is correct. Global commodity prices can significantly impact domestic inflation rates, especially in import-dependent economies like India. However, **the RBI does not have direct control over global commodity prices,** which are influenced by international market dynamics and external factors beyond its jurisdiction.

2. Solution: (c)

Exp) Option c is the correct answer.

The Monetary Policy Committee (MPC) was established by the Central Government in 2016 by amending the RBI Act, 1934. The committee is composed of the following members:

(a) The Governor of the Bank serves as the **Chairperson, ex officio.**

(b) The Deputy Governor of the Bank, responsible for Monetary Policy, serves as an ex-officio member.

(c) One officer of the Bank nominated by the Central Board also serves as an ex-officio member.

(d) Three individuals appointed by the Central Government serve as members.

Statement 1 is correct: As per Section 45ZB of the RBI Act, 1934, **the Monetary Policy Committee determines the Policy Rate required to achieve the inflation target.** This policy rate, a crucial lending rate of the Central bank, influences all other short-term interest rates in the economy, thereby affecting economic growth and inflation levels.

Statement 2 is correct: Section 45ZB of the RBI Act, 1934, **stipulates that the decisions made by the Monetary Policy Committee are binding on the Central bank.** Hence, the MPC's decisions hold legal authority over the actions of the Central bank.

Statement 3 is correct: The Bank shall organise at least four meetings of the Monetary Policy Committee in a year. The meeting schedule of the Monetary Policy Committee for a year shall be published by the Bank at least one week before the first meeting in that year.

3. Solution: (b)

Exp) Option b is the correct answer

The Financial Services Institutions Bureau (FSIB) is a regulatory body tasked with overseeing financial institutions to ensure their compliance with laws and regulations. It monitors and supervises banks, insurance companies, and other financial entities to maintain stability and protect consumers' interests in the financial services sector.

Statement 1 is correct: The FSIB is an autonomous body established by the Government of India, and it has replaced the Bank Board Bureau (BBB) to enhance the governance of Public Sector Banks (PSBs) and financial institutions.

Statement 2 is incorrect: The FSIB is chaired by a person appointed by the central government (not chaired by the RBI Governor).

Statement 3 is correct: The FSIB is responsible for recommending persons for appointment as whole-time directors (WTDs) and non-executive chairpersons (NECs) on the Boards of Directors in Public Sector Banks, financial institutions and Public Sector Insurers.

4. Solution: (d)

Exp) Option d is the correct answer

Cash Reserve Ratio (CRR) is the portion of bank deposits required to be kept with the central bank, reducing the amount available for lending and influencing money supply and inflation.

Statutory Liquidity Ratio (SLR) mandates banks to maintain a certain percentage of their deposits in liquid assets such as cash, gold, or government securities, ensuring liquidity and financial stability.

Statement 1 is correct: The Cash Reserve Ratio (CRR) requires banks to maintain a certain percentage of their deposits with the Reserve Bank of India (RBI) in cash, whereas the Statutory Liquidity Ratio (SLR) requires banks to maintain a certain percentage of their deposits in liquid assets within the bank itself.

Statement 2 is correct: The CRR is mandated under the RBI Act, which allows the RBI to regulate the liquidity in the banking system. **The SLR is mandated under the Banking Regulation Act, 1949,** which ensures that banks maintain a buffer of liquid assets to meet their obligation.

Statement 3 is correct: Banks do not earn any interest on the cash reserve maintained as CRR with the RBI. Unlike CRR, money invested under the SLR window earns some interests for banks. But they can't access this fund for lending purposes. CRR includes cash reserves only, but SLR includes liquid assets such as gold, bonds, and securities.

Statement 4 is correct: The SLR has a statutory/legal upper limit (40%) specified by the Banking Regulation Act, 1949. The CRR, however, does not have a legal upper limit; the RBI can set the CRR rate.

5. Solution: (b)

Exp) Option b is the correct answer.

The objectives of setting up of small finance banks is to further financial inclusion by

(i) provision of savings vehicles primarily to unserved and underserved sections of the population, and

(ii) supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganized sector entities, through high technology-low-cost operations.

Statement 1 is incorrect. Due to inherent risk, small finance banks are required to maintain a minimum **capital adequacy ratio of 15% of their risk-weighted assets** (RWA) on a continuous basis subject to any higher percentage as may be prescribed RBI from time to time.

Statement 2 is correct. The small finance banks are **required to extend 75% of their Adjusted Net Bank Credit** to sectors classified as priority sector lending by the RBI.

Statement 3 is incorrect. The Loan portfolio of small finance banks should constitute **of at least 50%** (not 75%) of loans up to 25 lakhs.

6. Solution: (a)

Exp) option a is the correct answer.

Reverse repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) borrows money from commercial banks within the country. It is a monetary policy instrument which can be used to control the money supply in the country.

Statement a is correct. Banks may **feel more interested** to deposit their excess reserves with the central bank as due to increased reverse repo rate **they can earn more interest** from the deposits made.

Statement b is incorrect. Money supply in the **economy decreases and not increases.** This is because if a bank can earn interest at a rate equivalent to the reverse repo rate by depositing its funds with the RBI, which entails no risk, it is likely to charge a higher interest rate for funds lent in the money market. This reduced money supply in the economy.

Statement c is incorrect. Loans will **become costlier and not cheaper** to the public as banks are more inclined to charge higher rates of interest due to the availability of options to earn more risk-free returns by keeping excess money with RBI.

Statement d is incorrect. While a decrease in money supply can potentially help control inflation, it's not a guaranteed outcome. Inflation is influenced by various factors, and the impact of a reverse repo rate hike depends on the specific economic situation.

7. Solution: (d)

Exp) option d is the correct answer.

Banks often face Liquidity shortfalls due to financial gaps created from deposit and loan portfolio mismatch. Such shortfalls don't last long and to manage such emergency conditions banks can approach RBI for quick money under MSF or Marginal Standing Facility.

Statement 1 is correct. MSF or Marginal Standing Facility is a short-term borrowing scheme which **facilitates the scheduled banks** to get funds from the central bank of India overnight in case of serious cash shortage.

Statement 2 is incorrect. Under MSF or Marginal Standing Facility, banks can offer 2% of the G-Securities from the SLR reserves **as collateral** to RBI and can get money from RBI. Hence, having collateral is a must for availing MSF Facility.

Statement 3 is correct. Scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit (2% of SLR) at a **penal rate of interest which is above repo rate (MSF rate = repo rate + Penal Rate).** Therefore, MSF or Marginal Standing Facility rate is usually higher than Repo Rate.

8. Solution: (a)

Exp) option a is the correct answer.

The Reserve Bank of India gives temporary loan facilities to the Centre and state governments as a banker to government. This temporary loan facility is called Ways and Means Advances (WMA).

Statement 1 is correct. Ways and Means Advances (WMA) is a loan facility from the RBI for 90 days and Interest rate for WMA is charged at the repo rate from April 2021.

Statement 2 is incorrect. The limits for Ways and Means Advances (WMA) are mutually decided by RBI and the Government of India and not fixed under the FRBM act.

Statement 3 is incorrect. Ways and Means Advances (WMA) are neither generally nor exclusively used to fund fiscal deficit. It is a temporary loan facility to meet the mismatch between receipts and payments of the government.

9. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: Section 45ZB of the amended RBI Act, 1934 provides for an empowered six-member monetary policy committee (MPC) to be constituted by the Central Government (not by Reserve Bank of India) by notification in the Official Gazette. The first such MPC was constituted on September 29, 2016. **The MPC determines the policy repo rate required to achieve the inflation target. The MPC is required to meet at least four times in a year. The quorum for the meeting of the MPC has four members.**

Statement 2 is incorrect: In May 2016, the RBI Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework. under **Section 45ZA, the Central Government, in consultation with the RBI, determines the inflation target in terms of the Consumer Price Index (CPI), once in five years and notifies it in the Official Gazette.** Accordingly, on August 5, 2016, **the Central Government notified in the Official Gazette 4 per cent Consumer Price Index (CPI) inflation as the target** for the period from August 5, 2016, to March 31, 2021, **with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent.** On March 31, 2021, the Central Government retained the inflation target and the tolerance band for the next 5-year period – April 1, 2021, to March 31, 2026.

Statement 3 is incorrect: The Central Government has notified the following as the **factors that constitute failure to achieve the inflation target**:

1. The average inflation is more than the upper tolerance level of the inflation target for any three consecutive quarters; or
2. The average inflation is less than the lower tolerance level for any three consecutive quarters.

Where the **Reserve Bank fails to meet the inflation target, it shall set out in a report to the Central Government (not Parliament):**

1. The **reasons for failure to achieve the inflation target;**
2. Remedial actions proposed to be taken by the Bank;
3. An estimate of the time period within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.

10. Solution: (c)

Exp) Option c is the correct answer.

Ways and Means Advances (WMA) Scheme was introduced in 1997. Its objective is to meet mismatches in the receipts and payments of the government.

Option 1 is correct: Ways and Means Advances (WMA) Scheme was introduced in 1997. These are **temporary loan facilities** provided by the **Reserve Bank of India** (RBI) to the **central and state governments** to meet mismatches in the receipts and payments. The limits for WMA are decided by the government and RBI mutually and revised periodically.

Option 2 is correct: WMA is currently at the existing repo rate and the tenure is for three months. However, if the tenure is extended, it will be treated as an overdraft which is charged above repo rate.

Option 3 is *incorrect*: Types of WMA:

(a) **Special WMA**: It is **extended against the collateral** of the government securities held by the State Government and

(b) **Normal WMA**: It is based on a three-year average of actual revenue and capital expenditure of the state. It is not collateral based.

The RBI determines limits for normal and special WMA for each state as multiples of the prescribed minimum balance required to be maintained with the RBI by that state. These limits have been revised periodically.

Option 4 is correct: WMA funding is much cheaper than borrowings from markets as it is charged at the repo rate. WMA can be an alternative to other tools of borrowing like raising longer-tenure funds from the markets, issue of State government securities or borrowing from financial institutions for short-term funding.

11. Solution: (d)

Exp) Option d is the correct answer.

Limits to credit creation are the factors that constrain the amount of credit that can be created in an economy. Credit creation is the process by which banks **create new money by lending out a portion of their deposits**. When a bank makes a loan, it credits the borrower's account with the amount of the loan. This creates new money in the economy, as the **borrower can now use the money to buy goods and services.**

Option 1 is correct- Cash Reserve Ratio (CRR) is the **percentage of deposits that commercial banks are required to keep with the central bank (RBI). A higher CRR means that banks have less money to lend out**, which reduces the amount of credit in the economy.

Option 2 is correct- Statutory Liquidity Ratio (SLR) is the **percentage of deposits that commercial banks are required to invest in government securities and other liquid assets. A higher SLR means that banks have less money to lend out**, which reduces the amount of credit in the economy.

Option 3 is correct- The **bank rate is the interest rate at which the central bank lends money to commercial banks without using security as collateral**. It is higher than the Repo Rate. When **the central bank increases the bank rate, it becomes more expensive for commercial banks to borrow money.** This can make commercial banks less willing to lend money, which can lead to a decrease in credit creation.

Option 4 is correct- The capital adequacy ratio (CAR) does not directly limit credit creation, but it can indirectly limit

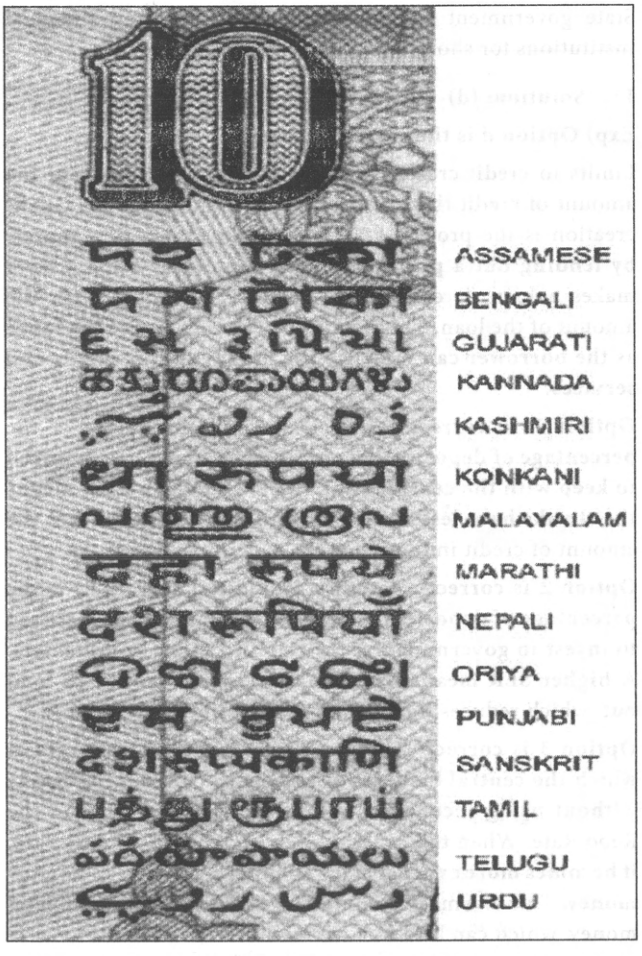
credit creation by **constraining the amount of money that banks can lend out.** Banks need to **maintain a certain level of capital in order to be considered well-capitalized and to meet regulatory requirements**. This capital is used to **absorb losses and to protect depositors**. If a bank's capital ratio falls below a certain level, the bank may be required to take steps to raise its capital, such as reducing its lending.

12. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct- Legal tender is currency that must be accepted as payment for debts or obligations. In India, coins issued under the Coinage Act, 2011, are legal tender for amounts up to specified limits. **Coins of any denomination not lower than one rupee are legal tender for any sum up to one thousand rupees.** Fifty paise coins are legal tender for any sum up to ten rupees. **While creditors are not obligated to accept coins beyond these limits, they may voluntarily accept them for larger amounts if they choose.**

Statement 2 is incorrect-Fifteen languages (not 22) appear in the language panel of banknotes. Hindi is displayed at the centre of the note and English on the reverse of the banknote. Contemporary Currency notes have 15 languages on the panel which appear on the reverse of the note.



Statement 3 is correct- Optically variable ink (OVI) is a unique ink that **alters its color or appearance based on the viewing angle**, making it a **valuable feature in security applications like banknotes and passports to deter counterfeiting.** OVI relies on specialized pigments that reflect light differently at varying angles, such as shifting from green to blue, creating a complex color-changing effect that is highly challenging to reproduce.

13. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect- Buying government securities is a **monetary policy tool** that **RBI use to increase the money supply in the economy**. When RBI buys government securities, it **injects money into the banking system.** On the other hand, **selling government securities withdraws money from the banking system, reducing the amount of money that banks have available to lend.**

Statement 2 is correct- The repo rate is the **interest rate at which banks borrow money from the central bank. Increasing the repo rate (100 basis points = 1%) makes it more expensive for banks to borrow money,** which discourages them from lending. This **reduces the amount of money in circulation** and decreases the money supply.

Statement 3 is incorrect- Margin requirement is the percentage of the total loan amount that a borrower must put down as collateral. The lower the margin requirement, the less money the borrower needs to have upfront, and the more money they can borrow. **This can lead to an increase in the demand for loans, which can in turn lead to an increase in the money supply (not decrease in money supply).**

Statement 4 is incorrect- When the government asks the RBI to print money to finance the deficit, it is **increasing the money supply in the economy**. This is because the RBI creates new money to buy the government bonds that the government is issuing to finance the deficit.

14. Solution: (a)

Exp) Option a is the correct answer.

Assertion (A) is true- The RBI can provide liquidity to a solvent bank **facing temporary liquidity issues when no one else is willing to extend credit.** This is done through a variety of instruments, such as **liquidity adjustment facility (LAF) operations and collateralized borrowing and lending obligation (CBLO).** Commercial banks can use this money to lend to businesses and individuals, which can boost economic consumption in the economy.

Reason (R) is true, and (R) is the correct explanation of (A)- The RBI through the Reserve Bank of India Act, 1934, is responsible for safeguarding depositors' interests and supporting monetary policy transmission through measures like **regulating and supervising commercial banks, setting interest rates, providing liquidity to the banking system, and conducting open market operations.** The RBI lends money to commercial banks to **ensure liquidity in the banking system and facilitate monetary policy transmission**. This lending enables commercial banks to have adequate funds for lending to businesses and individuals, ultimately stimulating economic growth

and consumption. Lending money to a solvent bank facing temporary liquidity issues can also protect the interests of depositors by preventing the possible failure of the bank, which in turn may also affect other banks and institutions and can have an adverse impact on financial stability and on the economy.

15. Solution: (b)

Exp) Option b is the correct answer.

An open market operation (OMOs) is a tool used by central banks to influence the money supply and interest rates in the economy. It involves the purchase or sale of government bonds or other securities by the central bank in the open market.

Option 1 is incorrect: Open Market Operations (OMOs) are the quantitative (not qualitative) monetary policy tools used by RBI which include outright purchase/sale of government securities by the Reserve Bank for injection/absorption of durable liquidity in the banking system.

<table>
<tr><th colspan="3">Credit Control</th></tr>
<tr><th colspan="2">Quantitative Measures</th><th>Qualitative Measures</th></tr>
<tr><td rowspan="2">Reserve Ratios</td><td>Cash Reserve Ratio (CRR)</td><td rowspan="7">Credit Rationing
Consumer Credit Control
Margin Requirements
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<tr><td rowspan="4">Policy Rates</td><td>Bank Rate</td></tr>
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</table>

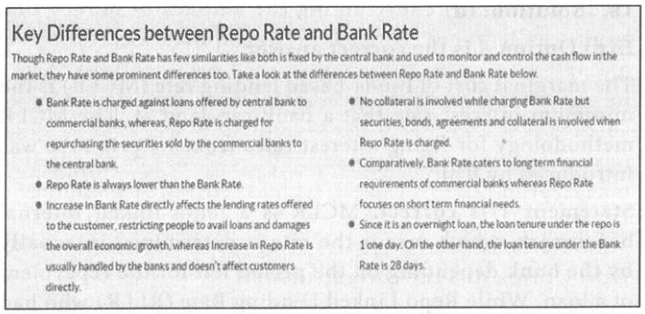
Option 2 is correct: Open Market Operations (OMO) is the selling and purchase of government securities (including **long term -dated government securities**) and treasury **bills (short term government securities)** by the RBI.

16. Solution: (b)

Exp) Option b is the correct answer.

Option a is incorrect: "Repo" is an abbreviation for "Re Purchase Option." The Repo Rate is the interest rate at which the central bank, such as the Reserve Bank of India, engages in lending to other banks to fulfil their liquidity needs. This lending involves the central bank purchasing securities with an agreement specifying that the borrowing bank will repurchase these securities on a certain date.

Option b is correct: The bank rate is the rate at which the central bank lends money to commercial banks without requiring any collateral. Changes in the central bank's policy regarding the bank rate have had a **direct impact on the lending rates of commercial banks.** When the central bank decides to increase the bank rate, it leads to a subsequent elevation in the lending rates of commercial banks. Conversely, lowering the bank rate is a strategy employed by the central bank to stimulate liquidity in the financial system. **The bank rate is typically higher than the repo rate.**


Key Differences between Repo Rate and Bank Rate

Though Repo Rate and Bank Rate has few similarities like both is fixed by the central bank and used to monitor and control the cash flow in the market, they have some prominent differences too. Take a look at the differences between Repo Rate and Bank Rate below.

- Bank Rate is charged against loans offered by central bank to commercial banks, whereas, Repo Rate is charged for repurchasing the securities sold by the commercial banks to the central bank.
- Repo Rate is always lower than the Bank Rate.
- Increase in Bank Rate directly affects the lending rates offered to the customer, restricting people to avail loans and damages the overall economic growth, whereas Increase in Repo Rate is usually handled by the banks and doesn't affect customers directly.
- No collateral is involved while charging Bank Rate but securities, bonds, agreements and collateral is involved when Repo Rate is charged.
- Comparatively, Bank Rate caters to long term financial requirements of commercial banks whereas Repo Rate focuses on short term financial needs.
- Since it is an overnight loan, the loan tenure under the repo is 1 one day. On the other hand, the loan tenure under the Bank Rate is 28 days.

Option c is incorrect: The Marginal Cost Lending Rate is the minimum rate below which banks cannot lend. It is an internal rate fixed by individual banks for loans with floating interest rates. The MCLR is linked to the marginal cost of funds, operating costs, cost of carrying in cash reserve ratio and tenure premium.

Option d is incorrect: The call money rate is the overnight interest rate at which commercial banks borrow and lend money to each other. It is determined by the demand for and supply of funds in the inter-bank market.

17. Solution: (c)

Exp) Option c is the correct answer.

Option a is incorrect: The money multiplier is a concept which measures the amount of money created by banks with the help of deposits after excluding the amount set for reserves from the deposits. It tells the maximum number of times the amount will be increased with respect to the given change in the deposits.

Option b is incorrect: The liquidity ratio, also known as the liquidity risk ratio or liquidity coverage ratio, is a financial metric that assesses a financial institution's ability to meet its short-term obligations using highly liquid assets. It is a regulatory requirement imposed on banks to ensure they have sufficient liquid assets to cover potential cash outflows during times of financial stress.

Option c is correct: The velocity of circulation of money is a measure that reflects the rate at which a unit of currency is used or exchanged within an economy during a specific time period. It represents the number of times money changes hands or is spent on goods and services within that period. Mathematically, **it is calculated as the ratio of the nominal gross domestic product (GDP) to the average money supply in the economy.**

A higher velocity of money indicates that each unit of currency is being used more frequently in transactions, implying a faster-paced economic activity. Conversely, a lower velocity suggests slower circulation and potentially slower economic activity.

Option d is incorrect: Price elasticity is a measure used in economics to quantify the responsiveness or sensitivity of the quantity demanded or supplied of a good or service to a change in its price. It is a way of expressing how much the quantity demanded or supplied will change in response to a percentage change in price.

18. Solution: (d)

Exp) Option d is the correct answer.

The marginal cost of funds-based lending rate (MCLR) is the minimum interest rate that a bank can lend at. The MCLR methodology for fixing interest rates from 1 April 2016 was introduced by RBI.

Statement 1 is correct. MCLR is a tenor-linked internal benchmark, which means the rate is determined **internally by the bank** depending on the period left for the repayment of a loan. While Repo Linked Lending Rate (RLLR) who had **External link mechanism** of banks.

Statement 2 is correct. The rise in **Marginal Cost of Funds-Based Lending Rate (MCLR)** costs the retail borrowers whose loans are linked to MCLR. They have to pay **higher equated monthly instalments (EMI)** for their home loan when the reset date comes around. Even auto and personal loans will become more expensive.

Statement 3 is correct. Under the MCLR regime, banks are free to offer all categories of loans on **fixed or floating interest rates.** The actual lending rates for loans of different categories and tenors are determined by adding the components of spread to MCLR. Therefore, the **bank cannot lend** at a rate **lower than MCLR** of a particular maturity, for all loans linked to MCLR benchmark.

19. Solution: (d)

Exp) Option d is the correct answer.

Statement a is correct: The expected rate of return on assets is indeed a factor that affects the demand for money for the speculative motive. **When the expected rate of return on alternative assets, such as stocks or bonds, is high, individuals are more likely to invest in those assets and hold less money. As a result, a higher expected rate of return on assets can reduce the speculative demand for money.**

Statement b is correct: The expected level of interest rates in the future is a critical factor that affects the demand for money for the speculative motive. **When interest rates are expected to be high, the opportunity cost of holding money is greater, and people will tend to hold less money, opting to invest in interest-bearing assets, which reduces the speculative demand for money.**

Statement c is correct: The liquidity of assets does impact the demand for money. **More liquid assets, which can be easily converted into cash without significant loss of value, can reduce the demand for holding money for speculative purposes**. Highly liquid assets provide an alternative to holding money and can thus affect speculative demand.

Statement d is incorrect: Emergency medical expenses are associated with the precautionary motive for holding money, not the speculative motive. The speculative motive involves holding money in anticipation of taking advantage of future changes in economic conditions, such as fluctuations in interest rates, asset returns, or inflation. On the other hand, the **precautionary motive involves holding money to meet unforeseen or emergency expenses, such as medical costs, job loss, or unexpected financial needs.**

20. Solution: (a)

Exp) Option a is the correct answer.

In India, legal tender refers to any form of currency that is legally recognized as a valid form of payment for any debt or obligation.

Let's examine each of the payment modes to determine their legal tender status:

Option 1 is correct: Legal tender in India refers to coins and banknotes issued by the Government and the Reserve Bank of India (RBI), which are officially recognized as acceptable means of settling debts and obligations. The Coinage Act, 2011, governs the issuance of coins, with coins of certain denominations considered legal tender for specific transaction limits. Banknotes, such as Rs 1, Rs 2, Rs 5, Rs 10, Rs 20, Rs 50, Rs 100, Rs 200 and Rs 500 issued by the RBI are recognized as legal tenders throughout the country.

Option 2 is incorrect: Cheques are not legal tender. They are simply instructions to a bank to transfer funds from one account to another. While they are widely used for transactions, they are not considered legal tender. The acceptance of a cheque is at the discretion of the recipient.

Option 3 is incorrect: Credit cards are not legal tender. They are a payment instrument that allows individuals to borrow money for purchases and are not considered physical currency or legal tender.

21. Solution: (a)

Exp) Option a is the correct answer.

Measures of Money Supply in India are key indicators that track the availability of money in the economy. India employs various measures like M1, M2, M3, and M4, each encompassing different types of money and financial assets. Understanding these measures is essential for policymakers, economists, and financial analysts to assess the country's economic health and its ability to meet the evolving needs of a growing economy.

Statement 1 is correct: M1, often referred to as Narrow Money, represents the most liquid component of a country's money supply. **M1=CU+DD,** where CU is currency (notes plus coins) held by the public and DD is net demand deposits held by commercial banks. The word 'net' implies that only deposits of the public held by the banks are to be included in money supply. The interbank deposits, which a commercial bank holds in other commercial banks, are not to be regarded as part of money supply. M1 is a crucial measure for assessing immediate spending and liquidity in an economy.

Statement 2 is incorrect: M2 consists of currency held by the public, net demand deposits held by commercial banks, and savings deposits with Post Office savings accounts. **Therefore, M2 comprises M1 components along with savings deposits held by Post Office savings accounts.** Net-time deposits of commercial banks are part of M3, which includes a broader range of financial assets.

M2 = M1 + Savings deposits with Post Office savings accounts

Statement 3 is incorrect: M4 = M3 (not M1) + Total deposits with Post Office savings organizations (excluding National Savings Certificates)

(**M3** consists of currency held by the public, net demand deposits held by commercial banks, and Net time deposits of commercial banks. **Therefore, M3 comprises M1 components along with** Net time deposits of commercial banks.

M3 = M1 + Net time deposits of commercial banks)

Important Tips

M1 and M2 are considered narrow money, while M3 and M4 are classified as broad money. In monetary economics, **M1 and M2 are categorized as narrow money, representing highly liquid forms** of currency, demand deposits, and near-money assets. Conversely, **M3 and M4 are regarded as broad money, encompassing a wider range of financial assets, including time deposits and other less liquid components**, providing a more comprehensive view of the money supply in an economy.

22. Solution: (c)

Exp) Option c is the correct answer.

Money is a universally accepted medium of exchange and store of value in an economy, typically in the form of currency (coins and banknotes) and digital deposits. It facilitates transactions and serves as a measure of value for goods and services.

Option 1 is correct. Money facilitates the medium of exchange of goods and services by providing a widely accepted medium for transactions. It eliminates the need for barter, making trade more efficient.

Option 2 is correct. Money serves as a unit of account by providing a standard measure for pricing goods and services. It facilitates comparisons and simplifies economic transactions, making commerce more efficient.

Option 3 is correct. Money **acts as a store of value,** it can be saved or stored for future use, retaining its value over time. It allows individuals to save their wealth and make purchases in the future.

Option 4 is incorrect. Money itself does not have an inherent function to stabilize prices. Price stability is influenced by **various economic factors, including supply and demand dynamics, production levels, consumer and producer behavior, and government policies like monetary and fiscal measures.** Central banks and governments may use tools like adjusting interest rates or the money supply to influence price stability, but it's the management of these factors, not money itself, that achieves this goal.

23. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct. Participants in the call money market are banks and related entities specified by the RBI. Scheduled commercial banks (excluding RRBs), cooperative banks (other than Land Development Banks) and Primary Dealers (PDs), are permitted to participate in call/ notice money market both as borrowers and lenders. Payments Banks and Small Finance Banks are eligible to participate in the Call money market both as borrowers and lenders. Such eligibility is valid even prior to the completion of the process to get themselves included in the Second Schedule of Reserve Bank of India Act, 1934.

Statement 2 is correct. Since the participants are banks, the call money rate tells about the overall liquidity position in the economy. Higher call rate indicates liquidity stress in the economy. In this case, the RBI may follow up with liquidity support measures by through its monetary policy instruments – cutting CRR (Cash Reserve Ratio) or allowing more repos. Hence, the call money rate is taken as the operating target of monetary policy

24. Solution: (d)

Exp) Option d is the correct answer.

Special provisioning of loan is a one of the mechanisms designed by the Reserve bank of India (RBI) to tackle the NPA or bad assets problem in the banking sector. It is an important part of RBI's prudential regulation. Under provisioning, banks must set aside funds or provide funds to a prescribed percentage of their bad assets. The percentage of bad asset that must be 'provided for' is called provisioning coverage ratio.

25. Solution: (c)

Exp) Option c is the correct answer.

The reserve requirement is the portion of a bank's total deposits that banks are required to hold in reserve, either in the form of cash or as deposits with the central bank.

Statement 1 is correct: Reserve Deposit Ratio (RDR) is the fraction of the total deposits of commercial banks which they keep as reserves. **In other words,** it refers to the portion of a bank's demand and time deposits that must be kept in reserve with the Reserve Bank of India (RBI) and within the banks themselves. Hence RDR is not about the deposits held by the Government of India with the RBI.

Reserve Deposit Ratio = Reserves / Deposits

Statement 2 is correct: It is true that the Reserve Deposit Ratio (RDR) is generally used by the Banks **to fulfil the cash demands of customers** holding accounts in commercial banks.

For example, by mandating that commercial banks maintain reserves in the form of the **Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR),** the RBI offers banks a **safety net of assets that can be tapped into when depositors request withdrawals.**

The Cash Reserve Ratio specifies the fraction of their deposits that banks must keep with RBI. The Statutory Liquidity Ratio requires the banks to maintain a portion of their deposits in the form of specified assets among themselves.

26. Solution: (b)

Exp) Option b is the correct answer.

The Currency Deposit Ratio (CDR) reflects the extent to which individuals choose to retain their financial assets in the form of cash rather than placing them in bank deposits. The CDR provides insights into people's behavior regarding cash usage and their confidence in the banking system.

CDR = Currency held by Public in cash / Currency held by public in bank deposits.

Option a is correct: It is true that the **Currency Deposit Ratio (CDR)** measures the ratio of currency (banknotes and coins) held by the public to the total deposits with commercial banks.

Option b is incorrect: CDR is not related to fixed deposits held by commercial banks. It usually measures the ratio of currency held by the public to the total deposits with commercial banks.

Option c is correct: A lower Currency Deposit Ratio (CDR) generally indicates a more efficient and stable banking system. The CDR is the percentage of a bank's total deposits that it holds as cash. A lower CDR means that the bank is lending out more of its deposits, which can help to stimulate economic growth. Additionally, a lower CDR means that the bank is less likely to run out of cash during a crisis, which can help to maintain financial stability..

Option d is correct: It is true that a **higher CDR suggests that a significant portion of the currency (cash) is held by the public,** outside the banking system. This can indicate reduced confidence in the banking system or a preference for using cash for transactions.

27. Solution: (a)

Exp) Option a is the correct answer.

Monetary policy is a set of measures used by the nation to control the money supply in an economy. It uses various tools to adjust interest rates to control inflation and promote economic growth of a nation.

Option a is correct: The Standing Deposit Facility (SDF) is the rate at which the Reserve Bank of India **(RBI) absorbs excess liquidity from banks without any collateral.** The SDF was introduced by the RBI to regulate the money supply in the economy.

Option b is incorrect: Unlike the Reverse Repo rate, the SDF does not necessitate the issuance of Government securities by the RBI to borrow funds from banks. Consequently, the **SDF rate is generally higher than the reverse repo rate. The SDF rate is generally lower than the Repo rates but higher than the reverse repo rate.**

Option c is incorrect: Sterilization is a monetary action wherein the Reserve Bank of India (RBI) aims to **control the impact of foreign currency on domestic money supply.** It typically involves the purchase or sale of financial assets by the RBI to counterbalance the effects of foreign exchange intervention.

Option d is incorrect: Statutory Liquidity Ratio (SLR) represents the minimum reserve that banks must maintain among themselves in the form of cash, securities, or gold. This requirement is instituted to enhance the ability of banks to address potential crises, particularly in the event of significant withdrawals by depositors.

28. Solution: (d)

Exp) Option d is the correct answer.

Capital Adequacy Norms typically specify the minimum amount of capital that banks and financial institutions must hold in relation to their risk-weighted assets. It is measured as follows:

Capital Adequacy Ratio = (Tier I + Tier II + Tier III (Capital funds)) /Risk weighted assets

Option a is incorrect: The increase in Capital Adequacy Ratio (CAR) for banks by RBI typically results in an **uptick in the prevailing interest rates for the public within a country**. This, in turn, escalates the cost of borrowing for the public, ultimately leading to a contraction in the money supply within the economy.

Option b is incorrect: As increased CAR for banks shoot up the **interest rate, people become reluctant to borrow and spend.** In such a scenario, people prefer **parking their money in banks in the face of high interest rates.** Hence increased level of domestic private consumption is not the most likely impact of increased CAR for banking institutions.

Option c is incorrect: Increasing the **CAR for banking institutions may not have a direct impact on the Current Account Deficit (CAD).** The CAD is influenced by various factors such as trade balances, foreign exchange rates and capital flows. If there is any impact, it might actually lead to a **widening of the CAD,** possibly due to an increase in interest rates and a potential reduction in economic activity resulting from the higher CAR.

Option d is correct: It is true that increased CAR for banks can potentially attract more foreign capital into the Indian economy. With the increased CAR for banking institutions, the **interest rate** will be generally **high** and furthermore banks are perceived as more stable due to increased capital of banks. This incentivizes the foreign investors to invest more into India.

29. Solution: (d)

Exp) Option d is the correct answer.

Statutory Liquidity Ratio or SLR is a minimum percentage of deposits that a commercial bank has to maintain in the form of liquid cash, gold or other securities. It is basically the reserve requirement that banks are expected to keep before offering credit to customers.

Following are the components of SLR:

- Cash
- Gold.
- Treasury bills of the Government of India.
- Dated securities issued under market borrowing programme and market stabilisation schemes (MSS).
- State Development Loans (SDLs) of the State Governments issued from time to time under the market borrowing program;

- Any other instrument as may be notified by the Reserve Bank of India

30. Solution: (a)

Exp) Option a is the correct answer.

According to a recent NABARD survey (2021), the agricultural sector in India received institutional credit amounting to Rs. 13.93 lakh crore, surpassing the target of Rs. 13.50 lakh crore. This total includes Rs. 8.25 lakh crore in short-term credit and Rs. 5.68 lakh crore in long-term credit.

The share of short-term credit decreased significantly from 69.71 per cent in 2008-09 to 59.25 per cent in 2019-20. The share of long-term credit in total institutional credit flow to agriculture has been rising steadily and exceeded the 40 per cent mark in 2018-19.

According to the most recent figures (2021), the **Scheduled Commercial Banks (SCBs) (Rs 1070036 crores) is the largest contributor** to agricultural loans, followed by **Regional Rural Banks (RRBs) (Rs 165326 crores), Cooperative banks (Rs 157367 crores)** and other agencies including Microfinance institutions.

31. Solution: (c)

Exp) Option c is the correct answer.

A **Non-Banking Financial Company (NBFC)** is a registered company under the **Companies Act, 1956/2013**, involved in activities like providing loans, buying shares/bonds/ securities issued by the government or other entities, leasing, hire-purchase, insurance, and chit business. However, it doesn't include companies primarily engaged in agricultural or industrial activities, trading goods (except securities), providing services, or dealing in immovable property.

Statement 1 is correct: Non-Banking Financial Companies (NBFCs) are not permitted to accept demand deposits, which are funds withdraw-able on demand like current or savings accounts, unlike banks that are allowed to accept such deposits. While NBFCs can accept various types of deposits, including fixed deposits and recurring deposits, they are prohibited from accepting demand deposits. NBFC that can accept other types of deposits are characterised as deposit taking NBFC

Statement 2 is correct: NBFCs cannot issue cheques drawn on themselves as part of their services, unlike banks that can issue cheques to account holders for various transactions. While NBFCs may provide financial products and services, including loans and credit facilities, they do not form part of the payment and settlement system and thus, are not allowed to issue checks drawn on themselves.

Statement 3 is correct: Deposit insurance provided by the Deposit Insurance and Credit Guarantee Corporation (DICGC) in India is exclusively available to depositors of banks, **not to those of Non-Banking Financial Companies (NBFCs)**. This distinction arises from the different regulatory frameworks governing banks and NBFCs, with banks being mandated to provide deposit insurance under the Banking Regulation Act, 1949, while NBFCs, which primarily engage in lending and other financial activities, are not covered under the deposit insurance scheme.

Statement 4 is incorrect: Non-Banking Financial Companies (NBFCs) are generally allowed to acquire government securities, which are issued by the government as a form of borrowing, subject to regulatory guidelines, banks also have the authority to acquire such securities. NBFCs and banks are allowed to acquire government securities primarily because these securities are considered safe and liquid investments. Government securities are backed by the government's credit, making them virtually risk-free in terms of default. As a result, they are considered high-quality assets and play a crucial role in the financial markets.

Important Tips

The **Deposit Insurance and Credit Guarantee Corporation Act, 1961** established the Deposit insurance provided by Deposit Insurance and Credit Guarantee Corporation (DICGC). **DICGC** provides deposit insurance coverage to all types of commercial banks, including foreign banks, local area banks, and regional rural banks in India. It also covers State, Central, and Primary cooperative banks (urban cooperative banks) in states or union territories where the Cooperative Societies Act empowers the Reserve Bank of India (RBI) for regulatory actions. All cooperative banks are included in DICGC's Deposit Insurance Scheme. The DICGC insures all deposits such as Savings, Fixed, Current, Recurring etc. Each depositor in a bank is insured up to a maximum of ₹ 5,00,000 (Rupees Five Lakhs) for both principal and interest amount held by him/her in the same right and capacity.

32. Solution: (a)

Exp) Option a is the correct answer.

Aadhaar Enabled Payment System is a payment service empowering a bank customer to use Aadhaar as his/her identity to access his/ her respective Aadhaar enabled bank account and perform basic banking transactions like balance enquiry, cash deposit, cash withdrawal and remittances through a Business Correspondent.

Statements 1 is incorrect. According to the National Payments Corporation of India, AePS is a bank led model which allows online interoperable financial inclusion transaction at PoS (MicroATM) through the Business correspondent of any bank using the Aadhaar authentication.

The only inputs required for a customer to do a transaction under AePS are: -

- Bank Name
- Aadhaar Number
- Biometrics captured during enrolment

Hence OTP (One Time Password) is not required for the AePS bases transactions.

Statement 2 is correct. According to National Payments Corporation of India (NPCI), AePS is based on the

demographic and biometric/iris information of an individual, so it eliminates the threat of any fraud and non-genuine activity.

Statement 3 is incorrect. National Payments Corporation of India (NPCI) (not the Reserve Bank of India) has put a limit of Rs 10,000 per transaction on Cash withdrawal from micro-ATMs of AePS.

33. Solution: (d)

Exp) Option d is the correct answer.

The Reserve Bank of India (RBI) transfers its surplus profits to the Government every year. Surplus profit is the profit left after making various contingency provisions for bad and doubtful debts, depreciation in assets, contributions to staff, and superannuation funds, etc.

Statement 1 is incorrect. RBI is **exempted from paying income tax** or any other tax, including **wealth tax. Section 48** (Exemption of Bank from income-tax and super-tax) of the **RBI Act, 1934** provides that the Bank shall not be liable to pay income-tax or super-tax on any of its income, profits or gains.

Statement 2 is incorrect. The amount of transfer of surplus to the Centre **is decided by the central bank after consultations with the government.** The decision to transfer the surplus is taken at the meeting of the Central Board of Directors of RBI.

Statement 3 is incorrect. Surplus transfer is put under the head **'non-tax revenue' in the revenue budget** as it is dividend. It helps the government narrow its deficit or borrowings.

Statement 4 is incorrect. It is not the Banking regulations act 1949, but **the section 47 of RBI Act 1935 which provides for the surplus transfer income of RBI to the Centre.**

Important Tips

Source of RBI's income –

1. Returns it earns on its foreign currency assets which could be in the form of bonds and treasury bills of other central banks or top-rated securities, and deposits with other central banks.
2. interest on its holdings of local rupee-denominated government bonds or securities, and while lending to banks for very short tenures, such as overnight.
3. management commission on handling the borrowings of state governments and the central government.

Expenditure of RBI-

1. expenses on the printing of currency notes
2. expenses on staff
3. the commission it gives to banks for undertaking transactions on behalf of the government across the country, and to primary dealers, including banks, for underwriting some of these borrowings.

34. Solution: (a)

Exp) Option a is the correct answer.

The National Financial Switch (NFS) enables interconnectivity of bank switches, connecting all ATMs in the country. This allows citizens to utilize any ATM of a connected bank. The **National Financial Switch (NFS) was developed by Institute of Development and Research in Banking Technology (IDRBT), Hyderabad. IDRBT handed over the national financial switch to the National Payments Corporation of India (NPCI) in 2009.**

Option a is correct. The National Financial Switch (NFS) is an interoperable payment network in India that **connects various banks'** automated teller machines (ATMs) to provide seamless and secure electronic **fund transfer services to customers.**

Option b is incorrect. The **National Automated Clearing House or NACH is a centralized electronic payment service for banks, corporates, financial institutions, and the Government.** It was set up by the National Payment Corporation of India (NPCI) to introduce best practices in electronic transactions. The NACH was an improvement over the Electronic Clearing System ECS that it replaced in May 2016.

Option c is incorrect. SWIFT, which stands for the Society for Worldwide Interbank Financial Telecommunication, is a messaging network used by banks and financial institutions around the world to securely and efficiently exchange information and instructions related to financial transactions. It enables the transfer of funds, securities, and other financial messages between institutions, facilitating international and domestic financial transactions.

Option d is incorrect. BHIM (Bharat Interface for Money) is a UPI enabled mobile app-based payment system introduced by the National Payments Corporation of India (NPCI). It aims to facilitate simple, secure, and instant digital transactions in India.

35. Solution: (c)

Exp) Option c is the correct answer.

Demand for money refers to the desire of individuals and businesses to hold liquid cash and cash-equivalents for transactions, savings, and precautionary or speculative purposes in the economy.

Option 1 is correct. When there is a situation of inflation in the economy, the demand for money increases. This is because there is a need for more money to buy things.

Option 2 is correct. The demand for money increases as income levels of households increase. This is due to the fact that money serves as the medium of exchange in transactions such as purchases of goods and services as well as other financial assets.

Option 3 is correct. During times of economic uncertainty, people tend to hold more money as a precautionary measure against unexpected expenses or job loss.

36. Solution: (b)

Exp) Option b is the correct answer.

The Reserve Bank of India (RBI) functions as India's central bank, overseeing monetary policy, currency issuance,

banking regulation, and maintaining financial stability to foster economic growth and price stability. The RBI controls the money supply using tools like the bank rate, open market operations, and reserve ratios, influencing lending and deposits to impact economic stability.

Option 1 is correct. "Under the **'Banker to the Government' role, the Reserve Bank of India (RBI) acts as a merchant banker** for the central and state governments, providing financial services and managing government securities."

Option 2 is correct. The **RBI manages the country's foreign exchange reserves** and formulates policies related to foreign exchange control to promote stability and protect the external value of the rupee.

Option 3 is incorrect. The **Reserve Bank of India (RBI) does not manage fiscal policy**. Fiscal policy, including taxation, government spending, and budgetary decisions, is the responsibility of the government's finance ministry. The RBI focuses on monetary policy and financial regulation.

Option 4 is incorrect. The Reserve Bank of India (RBI) does not lend money to individuals. Individuals are not provided with money, foreign currency, or any other form of funding by the RBI. In addition, the RBI does not open accounts for or in the name of individuals.

37. Solution: (d)

Exp) Option d is the correct answer.

The monetary base is the total quantity of a currency in circulation or held in bank reserves. Money in circulation is anything that is kept and used by the general public whereas reserves relate to commercial bank deposits and any money maintained in reserves by these institutions at the central bank.

Option a is incorrect. Consumer savings and commercial bank deposits are part of the broader money supply but are not part of the monetary base. The monetary base includes a narrower set of components

Option b is incorrect. The concept of the monetary base is not related to government debt or corporate bond values. It focuses on specific components of money supply and reserves

Option c is incorrect. The monetary base is a domestic concept that deals with the currency in circulation and bank reserves within a country. It does not include foreign exchange reserves or international trade balances.

Option d is correct. The currency issued by the central bank (RBI in case of India) can be held by the public or by the commercial banks and is called the 'high-powered money' or 'reserve money' or 'monetary base' as it acts as a basis for credit creation.

In other words, Mo or Monetary base = currency in circulation + Bankers Deposits with the RBI + other Deposits with the RBI.

38. Solution: (b)

Exp) Option b is the correct answer.

In banking, 'spread' refers to the difference between the interest rate charged by a bank to a borrower and the interest rate paid by the bank to a depositor.

Option b is correct. The **'spread' in banking is the gap between what a bank earns by lending money to borrowers (at higher interest rates) and what it pays to depositors (at lower interest rates)**. It's **the bank's profit** for connecting borrowers and savers in the financial system.

Important Tips

The setting aside of funds for potential losses, with the goals of safeguarding bank stability and ensuring regulatory compliance, is called "provisioning." Provisioning in the banking system is a risk management practice where financial institutions set aside a portion of their profits to create reserves, often called "loan loss provisions." These provisions act as a cushion against potential future losses due to non-performing loans, ensuring financial stability, regulatory compliance, and safeguarding depositor and shareholder interests.

39. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: First Loss Default Guarantee (FLDG) provides a financial arrangement between third parties and various financial institutions, including Scheduled Commercial banks and Non-Banking Financial companies. In FLDG, third parties compensate up to a **certain percentage of default in a loan provided by the financial institutions.**

Third parties engaged by financial institutions are not allowed to collect fees or charges directly from the borrowers. As per RBI guidelines, financial institutions are responsible for paying these fees directly to the third parties, while borrowers pay their dues directly to the financial institutions..

40. Solution: (b)

Exp) Option b is the correct answer.

The money supply encompasses all circulating currency and easily convertible bank deposits within a country's economy, representing the total liquid assets available at a given point in time. This includes physical cash in circulation as well as bank deposits that account holders can readily access and use as cash.

Option 1 is incorrect: Selling of G-secs under Open Market Operations (OMO): OMO involves buying and selling government securities in the open market. **Selling of G-secs under Open Market Operations (OMO)** decreases money supply in the economy because when the RBI sells government securities, it absorbs money from the market, thereby reducing the liquidity available to banks and the overall money supply.

Option 2 is correct: Borrowing by the government from RBI: When the government borrows from the RBI, **it increases the money supply** in the economy. This is because the RBI credits the government's account, effectively injecting money into the economy.

Option 3 is incorrect: Increasing reserve ratio limits by RBI: Increasing reserve ratio limits by the RBI **decreases the money supply**. The reserve ratio is the portion of deposit liabilities that banks are required to hold in reserve, rather than lend out. When the reserve ratio is increased, banks are required to hold a higher proportion of their deposits in reserve, reducing the amount of money available for lending and thus decreasing the money supply.

Option 4 is correct: Reducing the policy repo rate by RBI: Reducing the policy repo rate increases the money supply. The repo rate is the rate at which the RBI lends money to commercial banks. When the repo rate is lowered, borrowing becomes cheaper for banks, which in turn increases their capacity to lend to businesses and individuals. This stimulates borrowing and spending, leading to an expansion of the money supply.

41. Solution: (b)

Exp) Option b is the correct answer.

Payment banks are financial institutions that are licensed to provide a limited range of banking services, primarily focused on payments and remittances. They are allowed to **accept deposits from customers, issue debit cards, facilitate money transfers**, and provide other basic financial services. However, they are not permitted to offer loans or credit cards. The main aim of payment banks is to promote financial inclusion by reaching out to unbanked and underbanked segments of the population. It was recommended by **Nachiket Mor Committee.**

Statement 1 is incorrect: The **deposit limit for Payment Banks has been increased to ₹2 lakh** from ₹1 lakh. The guidelines for Payment Banks issued in November 2014 initially allowed them to hold a maximum balance of ₹1 lakh per individual customer. However, after reviewing their performance and aiming to boost financial inclusion and support MSMEs, small traders, and merchants, the limit has been increased to ₹2 lakh per individual customer by the Reserve Bank of India (RBI).

Statement 2 is correct: Payment Banks are mandated to invest a **minimum of 75% of their "demand deposit balances"** in approved Government securities or treasury bills with a maturity of up to one year as part of meeting the **Statutory Liquidity Ratio (SLR).**

Statement 3 is incorrect: Payment banks are **allowed to issue debit cards** to their customers. However, they cannot issue credit cards.

Statement 4 is correct: Payment banks are not permitted to accept time deposits or NRI deposits.

42. Solution: (c)

Exp) Option c is the correct answer.

Priority Sector Lending (PSL) is a regulatory requirement imposed by the Reserve Bank of India (RBI) on banks to ensure that a portion of their lending is directed towards specific sectors deemed important for the socio-economic development of the country. These sectors include agriculture, micro, small and medium enterprises (MSMEs), export credit, education, housing, renewable energy, and others identified by the RBI. Banks are mandated to allocate a certain percentage of their total lending to these priority sectors to promote inclusive growth and address the credit needs of marginalised sections of society.

Option 1 is correct: Urban Cooperative Banks are required to adhere to Priority Sector Lending (PSL) norms just like other scheduled commercial banks, ensuring a certain percentage of their loans go to priority sectors such as agriculture, small businesses, and housing.

Option 2 is correct: The RBI has set a Priority sector lending (PSL) target of 75% of total outstanding advances of Regional Rural Banks.

Option 3 is correct: Small Finance Banks and Foreign Banks are given targets under Priority sector lending by RBI.

43. Solution: (c)

Exp) Option c is the correct answer.

Statement I is correct: Banks resort to loan write-offs primarily to address non-performing assets (NPAs) and manage tax liabilities. When a loan is written off, it ceases to be recognized as an asset, thereby **reducing the level of NPAs** on the bank's balance sheet. Further loan write-offs can help in reducing the tax liabilities of banks as they permit the deduction of the written-off loan amount from the banks' profits.

Statement-II is incorrect: When a loan is written off, it means the removal of the loan from the bank's records, but it **does not mean cancellation of loans, nor do banks relinquish their claim on the written-off loans.** The loan account remains active, and lenders retain the hope of recovering the amount in the future.

A loss asset is another concept defined by the Reserve Bank of India (RBI) as an asset identified by the bank or by the Reserve Bank of India's inspection, but the amount has not been written off, wholly or partly. Loss assets are those NPAs with an extended period of non-payment such that classifying these as banks' assets are no longer warranted.

44. Solution: (b)

Exp) Option b is the correct answer.

Qualitative methods of credit control are also termed as selective instruments of credit control. Selective credit controls are considered to be superior to the general instruments of credit control as they are directed not only to control the total volume of credit but also the specific uses for which credit is granted.

Statement 1 is correct: Credit Rationing is an instrument of selective control. Under **Credit Rationing,** the central bank fixes maximum ceiling of loans to be granted by the commercial banks either on aggregate basis or for a particular use. The rate of interest may vary across sectors or uses.

Statement 2 is correct: Moral Suasion is an instrument of **selective control.** Under Moral Suasion, the central bank persuades and pressurizes the commercial banks to adopt a

credit policy which is in line with the overall objectives of the economy.

Statement 3 is incorrect: Repo Rate is an instrument of **quantitative monetary policy**, where the central bank influences the **overall level of credit in the economy** by setting the rate at which banks can borrow reserves from the central bank.

Statement 4 is incorrect: Standing Deposit Facility (SDF) is also instrument of **quantitative monetary policy, affecting all sections of the economy,** where banks deposit surplus funds with the central bank and earn interest on them. It helps manage liquidity in the banking system.

Important Tips

All the instruments of credit control may broadly be divided into following two categories.

(A) Quantitative methods of credit control

(B) Qualitative or selective methods of credit control

These are called instruments of monetary policy. Monetary policy is the policy of the central bank to control and regulate money supply and credit in the economy.

Examples of qualitative control policy instruments:

1) **Credit Rationing.**
2) **Margin Requirements.**
3) **Moral Suasion.**
4) **Consumer Credit Regulation.**
5) **Guidelines.**

Examples of Quantitative credit control instruments:

1) **Cash Reserve Ratio (CRR).**
2) **Statutory Liquidity Ratio (SLR).**
3) **Open Market Operations (OMO.**
4) **Repo Rate.**

45. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: Factoring is a financial transaction where a business sells its unpaid invoices to a specialized financial company (the factor) at a discount to meet their short-term liquidity needs. The factor purchases the invoice from the business in exchange for cash, which the business can use immediately, instead of waiting till the original invoice matures. When the invoice matures, the debtor will repay the original amount to the factor and not to the business.

Based on the risk of default, factoring can be categorized into Recourse Factoring and Non-Recourse Factoring. In **Recourse Factoring, the factor does not assume the risk of default**. If the debtor fails to repay, the company remains liable for the debt. In contrast, in **Non-Recourse Factoring, the factor bears the risk of bad debt,** and cannot recover the funds from the company if the debtor defaults.

46. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct. NEFT operates in a deferred settlement mode, where transactions are processed and settled in batches. The settlements take place in hourly intervals. Conversely, **RTGS settles transactions in real time,** meaning the funds are instantly transferred into beneficiary accounts.

Statement 2 is correct. In NEFT, fund transfers of any amount can be initiated. There is no upper or lower limit on the transaction amount. **In RTGS, fund transfer of at least ₹2 lakh per transaction is required,** with no specific upper limit on the amount you can transfer.

47. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct. An accommodative stance means the RBI is prepared to expand the money supply to boost economic growth. The RBI, during an accommodative policy period, is willing to cut the interest rates. A rate hike is ruled out. The central bank typically adopts an accommodative policy when growth needs policy support and inflation is not the immediate concern.

Option b is incorrect. A hawkish stance indicates that the RBI's top priority is to keep the inflation low. During such a phase, the RBI is willing to **hike interest rates to curb money supply** and thus reduce the demand. A hawkish policy also indicates tight monetary policy. A rate cut is nearly certain during such a period. When the central bank increases rates or 'tighten' the monetary policy, banks too increase their rate of interest on loans to end borrowers which, in turn, curbs demand in the financial system.

Option c is incorrect. A 'neutral stance' suggests that the RBI can either **cut rates or increase rates.** This stance is typically adopted when the policy priority is equal on both inflation and growth. During neutral policy, the central bank doesn't commit to hike rates or cut. The interest rate can move to either side depending on incoming data.

Option d is incorrect. The RBI often uses calibrated tightening. This means they **avoid lowering interest rates for a while and might start raising them slowly**. They won't necessarily raise rates at every meeting, but overall, they're leaning towards increasing them. They could even raise rates outside of scheduled meetings if needed.

48. Solution: (d)

Exp) Option d is the correct answer.

Payment instruments in India include digital payment methods, prepaid payment instruments (PPIs), and other payment instruments.

Pair 1 is correctly matched: The **Bharat Bill Payment System (BBPS) is a Reserve Bank of India** (RBI) concept that allows customers to pay bills using multiple modes, including cards, NEFT Internet Banking, UPI, Wallets, Aadhar based payments, and cash. The BBPS also provides instant confirmation of payment via an SMS or receipt. The BBPS offers many bill collection categories, including: Electricity, Telecom, DTH, Gas, and Water bills.

Pair 2 is correctly matched: The National Financial Switch (NFS) is India's largest network of shared ATMs, which **allows for cash withdrawals, card-to-card fund transfers, and cash deposits.** It is connected to over 2.57 lakh ATMs, including cash deposit machines and recyclers. The NFS allows customers to utilize any ATM of a connected bank by routing ATM transactions through inter connectivity between banks' switches.

The NFS was designed, developed, and deployed by the Institute for Development and Research in Banking Technology (IDRBT) in 2004. It was taken over by NPCI from IDRBT in 2009.

Pair 3 is correctly matched: The **e-RUPI** is a person-specific and purpose-specific digital voucher. It serves as a digital representation of the Indian rupee, designed for specific use cases. The users of this seamless one-time payment mechanism will be able to redeem the voucher without a card, digital payments app or internet banking access, at the merchants accepting e-RUPI. e-RUPI would be shared with **the beneficiaries for a specific purpose or activity by organizations or Government via SMS or QR code.**

National Payments Corporation of India (NPCI) in association with Department of Financial Services (DFS), National Health Authority (NHA), Ministry of Health and Family Welfare (MoHFW), and partner banks, has launched an innovative digital solution – 'e-RUPI'.

Pair 4 is correctly matched: National Payments Corporation of India (NPCI) has implemented **"National Automated Clearing House (NACH)"** for Banks, Financial Institutions, Corporates and Government a **web based solution to facilitate interbank, high volume, electronic transactions which are repetitive and periodic in nature**. NACH System can be used for making bulk transactions towards distribution of subsidies, dividends, interest, salary, pension etc. and also for bulk transactions towards collection of payments pertaining to telephone, electricity, water, loans, investments in mutual funds, insurance premium etc.

49. Solution: (b)

Exp) Option b is the correct answer.

Primary Agricultural Credit Societies (PACS) are grassroots-level institutions, and their membership encompasses individual farmers, artisans, and members of other weaker sections of the society as shareholders.

Statement 1 is incorrect: Primary Agricultural Credit societies (PACS) are **outside the purview of the Banking Regulation Act, 1949 and hence not regulated by the Reserve Bank of India**. They are registered under the Co-operative Societies Act of the States.

Statement 2 is correct: They constitute the lowest tier of the Short-Term Cooperative Credit (STCC) structure in the country, **providing short-term and medium-term credit and other input services, like seed, fertilizer, pesticide distribution, etc.** to member farmers. These are refinanced by NABARD through 352 District Central Cooperative Banks (DCCBs) and 34 State Cooperative Banks (StCBs).

50. Solution: (b)

Exp) Option b is the correct answer.

The implementation of the Debt Recovery Tribunal (DRT) system in India was a direct response to the escalating problem of Non-performing Assets (NPAs) and the necessity for a specialized mechanism to address disputes concerning debt recovery.

Statement 1 is incorrect: The Debts Recovery Tribunals (DRTs) and Debts Recovery Appellate Tribunals (DRATs) were established under the **Recovery of Debts and Bankruptcy Act (RDB Act), 1993** with the specific objective of providing expeditious adjudication and recovery of debts due to Banks and Financial Institutions.

Statement 2 is correct: The **Central Government appoints the Presiding Officer** (PO) of the Debt Recovery Tribunal (DRT). The PO heads the DRT, and serves for five years, with the possibility of reappointment. To be eligible for appointment, a person must have been, or be qualified to be, a District Judge.

Statement 3 is correct: Debt Recovery Tribunal is guided by the principles of natural justice and proceeding before DRT and DRAT shall be **deemed to be a judicial proceeding**.

The recovery officer and the Appellate Tribunal shall have, for the purposes of discharging their functions under this Act, the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit, in respect of the following matters, namely:

1) **summoning and enforcing the attendance of any person and examining him on oath;**
2) requiring the discovery and production of documents;
3) receiving evidence on affidavits;
4) issuing commissions for the examination of witnesses or documents;
5) reviewing its decisions;

51. Solution: (c)

Exp) Option c is the correct answer.

Insolvency and Bankruptcy Board of India is a key pillar of the ecosystem responsible for implementation of the Code that consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner.

Statement 1 is correct: The Insolvency and Bankruptcy Board of India was **established as a statutory body** under the Insolvency and Bankruptcy Code (IBC) enacted in 2016.

Statement 2 is correct: The IBBI functions under the **administrative control of the Ministry of Corporate Affairs (MCA).**

Statement 3 is correct: IBBI conducts **examinations and grants certificates to insolvency professionals (IPs) and insolvency professional agencies** (IPAs) in India. It also acts as an advisory body to the government on matters related to insolvency and bankruptcy. It formulates and enforces

regulations and guidelines for various entities involved in the insolvency resolution process.

Statement 4 is incorrect: The IBBI is **not involved in adjudicating insolvency applications.** Instead, it oversees the functioning of insolvency professionals, insolvency professional agencies, and information utilities. The **actual adjudication of insolvency cases is done by the adjudicating authorities like the National Company Law Tribunal (NCLT) and the Debt Recovery Tribunals (DRT).**

Important Tips

Structure of Insolvency and Bankruptcy Board of India:

The Board consists of the following members who are appointed by the Central Government,

1) **Chairperson.**
2) **Three members from among the officers of the Central Government** equivalent or not below the rank of a Joint Secretary. Out of the three members, **each will represent the Ministry of Finance, Ministry of Corporate Affairs and Ministry of Law, ex -officio.**
    1) One member **nominated by the RBI** (Reserve Bank of India), ex-officio.
    2) **Five other members nominated by the Central Government,** out of which at least three should be whole-time members.

The term of office of the Chairperson and members (other than ex-officio members) is five years or until they attain sixty-five years, whichever is earlier, and they are eligible for re-appointment.

52. Solution: (b)

Exp) Option b is the correct answer.

The Prompt Corrective Action (PCA) is a framework under which banks with weak financial metrics are put under watch by the Reserve Bank of India (RBI).

The Financial institutions under PCA framework are **not prohibited from investing in Government securities (Statement 2 is incorrect).**

Rather these institutions face **corrective measures** such as:

1) **Restrictions on branch expansion activities** and dividend distribution or profit remittance **(Statement 1 is correct)**
2) **PCA Mandates the promoters or shareholders to inject more capital** into the concerned institutions and to reduce the leverage of such institutions. **(Statement 4 is correct)**
3) **Restrictions on discretionary decisions regarding governance, capital, profitability, and business operations.** Consequently, institutions under the PCA framework are not granted increased autonomy in managing their governance affairs **(Statement 3 is incorrect).**
4) **Restrictions on issuing guarantees** or undertaking contingent liabilities for group companies.

Important Tips

PCA aims to check the problem of Non-Performing Assets (NPAs) by placing financial institutions under close scrutiny by the RBI. The indicators used for identifying the risk factor of financial institutions are **(i) Return on Assets (ii) Capital-To-Risk Weighted Assets Ratio (CRAR) and (iii) Non-Performing Assets (NPA) ratio.**

53. Solution: (d)

Exp) Option d is the correct answer.

A liquidity trap is a situation in which the central bank cannot stimulate economic growth through traditional monetary policy tools due to a lack of available funds. In an adverse situation in an economy such as deflation or war, the central bank decreases the interest rate as part of expansionary policy. However, people tend to save their money instead of investing in the market to avoid the market risk associated with their investment. This results in the failure of the central bank's expansionary policy in stimulating economic growth in a country.

Important Tips

Capital flight refers to an event where investors pull capital out of an economy on a large scale by selling the financial assets that they own. Such a sudden outflow of foreign investment leads to a shortage of capital liquidity in the financial market.

A credit crunch refers to a situation in which there is a sudden reduction in the availability of credit or loans from financial institutions to borrowers. Excessive regulation by the RBI constrains banks' ability to create credit leading to a situation of credit crunch.

Liquidity risk is the risk to an institution's financial condition or safety and soundness arising from its inability (whether real or perceived) to meet its contractual obligations. When bank's capital is tied up in illiquid assets, it leads to the liquidity risk of the particular bank contributing to the risk of bank failure.

Liquidity trap is a situation when expansionary monetary policy with low interest is ineffective in stimulating economic growth.

54. Solution: (a)

Exp) option a is the correct answer.

Full Reserve Banking: Banks are required to **keep 100% of customer deposits** in reserve and **cannot lend out demand deposits.**

Fractional Reserve Banking: Banks **keep only a fraction of deposits as reserves** and lend out the rest to generate profits.

Bank Run: A **bank run** occurs when a **large number of customers withdraw their deposits from a bank at the same time** due to fear that the bank might collapse.

Statement I is correct. Under full reserve banking, banks can effectively serve the customers if they want to withdraw all of their demand deposits. **Because in full reserve banking all the deposits are not given as loans and kept as reserve.**

Hence in case of any bank run situation, full reserve banking can help to effectively deal with the situation. But in Fractional Reserve Banking only a very small part of demand deposits are kept as reserve. In case of any situation of bank run, the banks will find it difficult to satisfy the withdrawal demands of the customers.

Statement II is correct.

Full-reserve banking, also known as 100% reserve banking, refers to a system of banking where banks are not allowed to lend out money that they receive from customers in the form of demand deposits. Demand deposits are deposits that customers can withdraw from the bank at any point in time without any prior notice. So, under full-reserve banking, banks are mandated to hold all money that they receive as demand deposits from customers in their vaults at all times. In this case, banks simply act as custodians to depositors' money and may charge a fee from depositors for the service of safekeeping that they offer to the depositors. This is in contrast to today's banking system in which banks pay interest to customers on their demand deposits. In other words, under full-reserve banking, banks are expected to hold reserves backing 100% of their liabilities in the form of demand deposits.

Statement II explains Statement I. Since Full Reserve Banking **does not allow banks to lend from demand deposits**, it ensures that **money deposited as demand deposits is always available for withdrawal**, thereby **providing better protection against bank runs**.

55. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correctly matched: The Credit Deposit Ratio (CDR) measures the proportion of a bank's deposits that have been used to extend loans. A high CDR indicates that a bank is actively lending, which can stimulate economic activity. However, a very high CDR can also signal that a bank might be overextended and vulnerable to liquidity risks. A low CDR suggests that a bank is holding a large portion of its deposits in reserve or investing in other assets, rather than lending.

Pair 2 is incorrectly matched: The Liquidity Coverage Ratio (LCR) is a regulatory requirement that mandates banks to hold a sufficient quantity of high-quality liquid assets (HQLA) to withstand short-term liquidity shocks. HQLA includes assets that can be easily and quickly converted into cash, such as government securities and central bank reserves.

Current Account Saving Account (CASA) ratio is a ratio that shows the share of current and savings account deposits in the total deposits of a bank.

Pair 3 is correctly matched: The Provisioning Coverage Ratio (PCR) indicates the percentage of non-performing assets (NPAs) that a bank has covered with provisions. The PCR reflects a bank's ability to absorb losses from bad loans. A higher PCR indicates that a bank is better prepared to handle potential loan losses.

56. Solution: (b)

Exp) Option b is the correct answer.

The External Benchmark-based Lending Rate (EBLR) system, introduced by the RBI in October 2019, requires banks to link **their floating-rate loans to an external benchmark to improve transparency and transmission of monetary policy.**

As per RBI guidelines, banks can use any of the following external benchmarks for setting lending rates:

Option 1 is correct : The repo rate is the rate at which the **RBI lends short-term funds to commercial banks.**Since it is a key monetary policy tool and is directly controlled by the RBI, it serves as a reliable benchmark for lending rates.

Option 2 is correct: Treasury bills (T-bills) are short-term government securities issued by the RBI. Government of India **3-Months** and 6-Months Treasury Bill **yields published by Financial Benchmarks India Private Ltd (FBIL)**

Since **it is market-determined and reflects short-term interest rate movements**, the RBI allows banks to use it as a benchmark.

Option 3 is incorrect: Corporate bond yields are not a permissible external benchmark under the framework. The yield of corporate bonds changes from company to company. There is no uniform yield rate for all corporate bonds. Corporate bond yields are influenced by a multitude of factors, including: Market sentiment, Credit risk of individual companies and Supply and demand dynamics in the corporate bond market. **The RBI has limited direct control over these factors.** In contrast, the RBI directly controls the repo rate and significantly influences Treasury Bill yields through its monetary policy operations.

57. Solution: (a)

Exp) Option a is the correct answer.

Small Finance Banks (SFBs) are specialized financial institutions in India, established to enhance **financial inclusion** by providing essential **banking services** to **underserved and unbanked segments** of the population. They are registered as **public limited companies** under the **Companies Act, 2013**, and are licensed under the **Banking Regulation Act, 1949**.

The eligibility criteria for an Small Finance Bank to transition into a Universal bank is as follows:

1. scheduled status with a satisfactory track record of performance for a minimum period of five years;
2. **shares of the bank should have been listed on a recognised stock exchange; So it is one of the criteria, Option 2 is correct.**
3. **having a minimum net worth of ₹1,000 crore as at the end of the previous quarter (audited); So it is one of the criteria, Option 1 is correct.**
4. **meeting the prescribed CRAR requirements for SFBs; For Small Finance banks it is 15% and not 10% thus, Option 3 is incorrect.**

5. having a net profit in the last two financial years; and
6. having GNPA and NNPA of less than or equal to 3 percent and 1 percent respectively in the last two financial years.

Important Tips

Key Features of SFBs:

1. **Deposit Acceptance:** SFBs can accept all types of **deposits**, including **savings, current, and fixed deposits**, similar to traditional **commercial banks**.
2. **Credit Provision:** They primarily focus on lending to sectors such as **small business units, micro and small industries, small and marginal farmers**, and other **unorganized sector entities**. Notably, **at least 50%** of their loan portfolio must consist of **loans and advances up to ₹25 lakh**.
3. **Financial Services:** Beyond traditional banking, SFBs can engage in **non-risk sharing financial activities**, including the distribution of **mutual funds, insurance products, and pension products**.

58. Solution: (a)

Exp) Option a is the correct answer.

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) was founded in 1973 and is registered in Belgium.

Statement 1 is correct. SWIFT is a messaging system that facilitates safe and secure financial transactions, but does not settle such transactions. Thus, it itself does not move any money. It has given a 11-digit ID to each member financial institutions to help in the identification of the bank name, country, city, branch etc.

Statement 2 is incorrect. SWIFT is registered as a cooperative and is owned and controlled by the member financial institutions. Currently, it is used by more than 11,000 financial institutions in more than 200 countries.

Rather, the Bank for International Settlement (BIS) is owned by 63 central banks, representing countries from around the world that together account for about 95% of world GDP.

59. Solution: (a)

Exp) Option a is the correct answer.

In economics, the **money multiplier** is the ratio of the money supply to the monetary base. It explains how an increase in the monetary base leads to a larger increase in the money supply. **Increased banking habits mean more deposits, allowing banks to lend more, thereby increasing the money multiplier**. Banks receive deposits from customers and keep a portion on reserve. The remaining funds are lent out to borrowers. The borrowers deposit the money they receive back into banks. This process repeats, creating more money.

60. Solution: (b)

Exp) Option b is the correct answer.

The **SARFAESI Act, 2002**, allows banks and **Asset Reconstruction Companies (ARCs)** to **take control of a borrower's business management** if they fail to repay secured loans. Banks and ARCs can appoint professionals or take other steps to **restore the financial health of the defaulting company**.

Statement 1 is incorrect: Initially, the **SARFAESI Act was earlier applicable only to scheduled commercial banks**, but after a **2013 Supreme Court ruling**, it was extended to **cooperative banks** as well.

Statement 2 is correct: Asset Reconstruction Companies are registered under the RBI and regulated under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI Act, 2002).

The **SARFAESI Act, 2002 (Section 3) has a provision of Registration of Asset reconstruction companies.**

Statement 3 is correct: A **borrower has the right to appeal** against actions taken under SARFAESI before the **Debt Recovery Tribunal (DRT)** within **30 days** of receiving notice. If dissatisfied with the DRT's decision, the borrower can further appeal to the **Debt Recovery Appellate Tribunal (DRAT)**.

Important Tips

Additional Information:

Key Provisions of SARFAESI Act:

1. Allows banks and ARCs to **recover bad loans without court intervention.**
2. Permits **change in management of defaulting companies** to aid recovery.
3. **Enables securitization** of bad loans to reduce NPAs.

Exemptions Under SARFAESI:

1. **Agricultural land** cannot be seized under the Act.
2. **Loans below ₹1 lakh** and **unsecured loans** are not covered.

61. Solution: (d)

Exp) Option d is the correct answer.

Broad Money (M3) is a key monetary aggregate used to measure the total money supply in an economy. It represents a broader definition of money that includes both highly liquid assets and less liquid time deposits. The Reserve Bank of India (RBI) monitors M3 to assess liquidity conditions and formulate monetary policy effectively.

M3 is defined as:

M3 (Broad Money)= M2+**Term (Time) Deposits (above one year) with Banks**+ Call/Term Borrowings from Non-depository Financial Corporations

Where:

M2 = M1 (Narrow Money) + **Time Liabilities Portion of Savings Deposits + Certificates of Deposit issued by Banks** + Short-term Term Deposits (up to 1 year)

M1 (Narrow Money) = Currency with the Public + Demand Deposits with Banks + 'Other' **Deposits with RBI**

Other deposits with RBI comprise mainly: (i) deposits of quasi-government and other financial institutions

including primary dealers, (ii) balances in the accounts of foreign Central banks and Governments, (iii) **accounts of international agencies such as the International Monetary Fund,** etc.

Therefore, all the components are included in Broad Money (M3).

62. Solution: (c)

Exp) Option c is the correct answer.

The RB-IOS, 2021 integrates **three previous ombudsman schemes into a single, unified framework** for easier grievance redressal.The scheme **merges multiple ombudsman schemes (Banking Ombudsman, NBFC Ombudsman, and Digital Transactions Ombudsman)** into one unified framework. Customers can file complaints through a **single point of contact.**

Statement 1 is correct: Reserve Bank – Integrated Ombudsman Scheme (RB-IOS), 2021 aims to provide a cost-free and expeditious redressal mechanism for customer complaints involving **deficiencies in services rendered by entities regulated by the Reserve Bank of India (RBI).**

Statement 2 is correct: The RB-IOS 2021 is not only limited to the banks . **The scheme applies to:**

1. Banks: All commercial banks, including Public Sector Banks, Private Sector Banks, Foreign Banks, Local Area Banks, Small Finance Banks, Payment Banks, Regional Rural Banks, Scheduled Primary (Urban) Co-operative Banks and Non-scheduled Primary (Urban) Co-operative Banks with deposit size of ₹50 Crore and above.
2. NBFCs registered with RBI with assets of ₹100 crore and above.
3. **Credit Information Companies (CICs).**

63. Solution: (a)

Exp) Option a is the correct answer.

An NRE (Non-Resident External) account is a banking facility provided in India for Non-Resident Indians (NRIs) to deposit their earnings from abroad. On the other hand, an NRO (Non-Resident Ordinary) account is also a banking option for NRIs in India, designed specifically to manage their income generated within India, such as rental income, dividends, pensions, interest, and other forms of revenue.

Statement 1 is correct: A Non-Resident External (NRE) Account is a banking facility designed for Non-Resident Indians (NRIs) **to safely deposit their foreign earnings in India.**

Non resident Ordinary (NRO) account of an NRI is to manage the income earned in India.

Statement 2 is incorrect: NRE accounts allow deposits in any permitted foreign currency i.e. any freely convertible currency, which are then converted into Indian Rupees (INR) upon credit. Withdrawal can be in only Indian currency. **Thus Deposit can be done in permitted foreign currency but withdrawal in Indian currency.**

Statement 3 is incorrect: Under NRE (Non-Resident External) accounts, NRIs can open Savings, Current, Recurring, Fixed Deposit accounts. **So it is not limited to Term deposit accounts only.**

64. Solution: (b)

Exp) Option b is the correct answer.

The **Urban Cooperative Banks (UCBs)** are a type of **cooperative bank** that primarily serve **urban and semi-urban areas.** They cater to the financial needs of small businesses, low- and middle-income groups, and self-employed individuals by providing deposit and credit facilities. The first urban cooperative credit society in India was registered in **Canjeevaram (Kanchipuram), Tamil Nadu,** in **October 1904,** following the enactment of the **Cooperative Credit Societies Act, 1904.**

Statement 1 is incorrect: UCBs are **registered under the Co-operative Societies Act** of the respective **state governments** or under the **Multi-State Co-operative Societies Act, 2002,** in case they operate in more than one state.

For **commencing banking business, a primary (urban) cooperative bank, as in the case of commercial bank, is required to obtain a licence from the Reserve Bank of India,** under the provisions of Section 22 of the Banking Regulation Act, 1949

Statement 2 is correct: An **urban cooperative bank can, with prior approval of the RBI, issue equity shares, preference shares,** or special shares to its members or to any other person residing within its area of operation, by way of public issue or private placements.

Statement 3 is incorrect: The Urban Co-operative Banks (UCBs), till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. **Effective from November 1996, urban cooperative banks have been given freedom to finance direct agricultural operations.**

65. Solution: (d)

Exp) Option d is the correct answer.

Launched in 2015, the Pradhan Mantri MUDRA Yojana (PMMY) is a flagship scheme of the Government of India aimed at providing affordable credit to micro and small enterprises. It has played a crucial role in empowering non-corporate, non-farm small and micro businesses by offering loans.

Statement 1 is incorrect: The Pradhan Mantri Mudra Yojana (PMMY) facilitates collateral-free loans to small and micro businesses up to maximum of 20lakh (not 1 crore) under four categories based on their funding needs and growth stage. These categories include Shishu (loans up to ₹50,000), Kishore (loans above ₹50,000 and up to ₹5 lakhs), Tarun (loans above ₹5 lakhs and up to ₹10 lakhs), and Tarun Plus (loans above ₹10 lakhs and up to ₹50 lakhs).

Statement 2 is incorrect: The scheme primarily supports micro and small enterprises in non-agricultural sectors, including manufacturing, trading, and services. However, allied agricultural activities (such as dairy, poultry, and beekeeping) are eligible to obtain the loan under the scheme.

There is no such specific mandate regarding the agriculture sector in the Mudra scheme.

Statement 3 is correct: Loans under the Yojana are available through all branches of **Commercial Banks,** Small Finance Banks (SFBs), and Regional Rural Banks (RRBs) across the country under the scheme. Additionally, **Non-Banking Financial Companies (NBFCs) and** Microfinance Institutions (MFIs) that specialize in financing micro-enterprises engaged in small business activities **also provide Mudra loans.**

66. Solution: (b)

Exp) Option b is the correct answer.

Monetary policy is a macroeconomic strategy implemented by the central bank to regulate the money supply, inflation, and interest rates in the economy. In India, the Reserve Bank of India (RBI) is entrusted with this responsibility under the provisions of the Reserve Bank of India Act, 1934.

Row 1 is correct: Repo rate is the **interest rate** at which **commercial banks borrow funds from the RBI** in case of a **shortage of liquidity**, using **government securities as collateral** under a **repurchase agreement**. This mechanism is primarily used by banks for overnight or short-term borrowing.

To **control inflation**, the **RBI increases the repo rate**, making borrowing costlier and reducing the money supply in the economy.

Row 2 is incorrect: The reverse repo rate is a monetary policy tool that allows **banks to deposit their excess funds with the RBI in exchange for securities**, with an agreement to repurchase them at a predetermined price on a future date.

When the **RBI raises the reverse repo rate**, banks earn a higher interest rate on these deposits, encouraging them to park more funds with the RBI. This reduces the money supply in the market, as banks have fewer funds available for lending. Thus to control inflation RBI will increase the reverse repo rate.

Row 3 is correct: The Bank Rate is the standard interest rate at which the Reserve Bank of India (RBI) provides **long-term loans** to commercial banks and financial institutions. **Unlike the Repo Rate, it does not involve a repurchase agreement, collateral, or the sale of securities**. Since the Bank Rate influences long-term borrowing costs, **the RBI increases it to curb inflation, making credit more expensive and reducing excess liquidity in the economy.**

Row 4 is incorrect: In 2022, the Monetary Policy Committee (MPC) introduced the Standing Deposit Facility (SDF), allowing banks to park their excess funds with the RBI without the need for collateral, such as government securities.. **By increasing the SDF rate, the RBI absorbs excess liquidity from the banking system, making it an effective tool to manage inflationary pressures.**

67. Solution: (c)

Exp) Option c is the correct answer.

Operation Twist is a monetary policy strategy implemented by the Reserve Bank of India for the first time in 2020 under Open Market Operations (OMO). This approach helps lower bond yields without impacting the overall money supply.

Statement I is correct: The main goal of Operation Twist is to **reduce long-term borrowing costs,** fostering investment and economic growth. By using the proceeds from short-term bond sales to purchase long-term government securities, the **central bank helps lower interest rates on long-term bonds.**

Statement II is incorrect: It involves the **simultaneous purchase of long-term government bonds** to **reduce long-term interest rates** and the **sale of short-term bonds** to maintain liquidity and control short-term rates.

Thus, simultaneous purchase and sale of bonds under Operation Twist bring down long-term borrowing costs.

68. Solution: (b)

Exp) option b is the correct answer.

The **Reserve Bank of India (RBI)** is the **central bank of India**, responsible for formulating monetary policy, managing financial stability, and ensuring smooth banking operations.

Option 1 is incorrect. In India, **the RBI issues currency notes of ₹2 and above** under the **RBI Act, 1934. The Government of India is the issuing authority for coins, including commemorative coins,** and the Reserve Bank of India (RBI) puts them into circulation.

Option 2 is correct. The **Reserve Bank of India , RBI has the primary responsibility of collection, compilation and dissemination of data relating to foreign exchange reserves.** The data are based on actual balances as per RBI record.

Option 3 is incorrect. Merchant banks are regulated by the Securities and Exchange Board of India (SEBI). SEBI is the primary regulator of the securities market in India, which includes merchant banking activities.

Option 4 is correct. National Electronic Funds Transfer (NEFT) is a nation-wide centralised payment system owned and operated by the Reserve Bank of India (RBI). It is an electronic method of transferring money online. It enables transferring funds from the account maintained with any bank to any other bank branch.

69. Solution: (a)

Exp) Option a is the correct answer.

Unified Payments Interface (UPI) is an instant payment system developed by the National Payments Corporation of India (NPCI).

Statement 1 is correct. UPI is built over the Immediate Payment Service (IMPS) infrastructure and allows to instantly transfer money between any two parties' bank accounts. IMPS offers an instant, 24*7 interbank electronic fund transfer.

Statement 2 is correct. UPI Lite allows users to make low-value transactions without using a UPI PIN. It permits only

small-value payments of up to ₹1000 per transaction and has a daily limit of ₹4,000. UPI Lite is an "on-device wallet".

UPI LITE X allows offline payments without internet connectivity. Users can make real-time payments without the Internet because it is an "on-device wallet." UPI LITE & LITE X wallet are the same, except LITE X adds offline payment functionality to UPI LITE.

Statement 3 is incorrect. UPI 123PAY is an instant payment system for feature phone users who can use Unified Payments Interface (UPI) payment service in a safe and secure manner.

Per transaction limit of UPI payment on UPI 123PAY from feature phone: per transaction limit is Rs 5000

Per day transactions limit of UPI payment on UPI 123PAY from feature phone: per day transactions limit is Rs 1,00,000.

70. Solution: (a)

Exp) option a is the correct answer.

The **Variable Rate Repo (VRR)** is a liquidity adjustment tool used by the **Reserve Bank of India (RBI)** to **inject short-term liquidity into the banking system**. VRR has features like:

1. **Auction-Based Lending**: Unlike the standard **repo rate**, where banks borrow at a fixed rate, in VRR, banks bid for funds at different interest rates through an **auction process** conducted by RBI.
2. **Market-Determined Interest Rates**: The rate at which banks borrow is **not fixed** but is determined by **market forces** based on demand and supply of liquidity. The interest rate in VRR is generally lower than the Repo Rate (though not less than Reverse Repo Rate).
3. **Collateral Requirement**: Like a normal repo operation, banks must **pledge government securities** as collateral to borrow funds under VRR.
4. **Short-Term Nature**: VRR typically has a **tenure ranging from 7 days to 14 days**, making it a short-term liquidity injection tool.

71. Solution: (d)

Exp) Option d is the correct answer.

The Financial Stability and Development Council (FSDC) was constituted in 2010.

Statement 1 is incorrect. FSDC is non-statutory apex council under the Ministry of Finance constituted by the Executive Order in 2010.

Statement 2 is incorrect. The Council is chaired by the Union Finance Minister and its members are Governor, Reserve Bank of India; Finance Secretary and/or Secretary, Department of Economic Affairs; Secretary, Department of Financial Services; Chief Economic Adviser, Ministry of Finance; Chairman, Securities and Exchange Board of India; Chairman, Insurance Regulatory and Development Authority and Chairman, Pension Fund Regulatory and Development Authority.

Statement 3 is incorrect. To frame **the guidelines based on which grants-in-aid are given by the centre to states is one of the terms of reference of the Finance Commission** to make recommendations to the President on the principles governing grants-in-aid to states.

FSDC deals with issues relating to financial stability, financial sector development, inter-regulatory coordination, financial literacy, financial inclusion and macro prudential supervision of the economy including the functioning of large financial conglomerates.

72. Solution: (b)

Exp) Option b is the correct answer.

The Reserve Bank of India's (RBI) balance sheet reflects its financial position. Assets represent what the RBI owns or is owed, while liabilities are its obligations

Option 1 is incorrect:Deposits held by Commercial banks are **liabilities of the RBI, not assets.** Commercial banks are required to maintain a portion of their deposits with the RBI. These deposits represent funds that the RBI owes back to the commercial banks.

Option 2 is correct: Foreign Exchange reserves are a **crucial asset of the RBI.** They include **foreign currencies, gold, and Special Drawing Rights (SDRs)**. RBI also earns income from the Forex reserves through changes in gold rates and currency exchange rates .

Option 3 is correct: The RBI provides **loans and advances to both the central and state governments.** These loans represent **claims on the government and are therefore assets.**

Option 4 is incorrect: The **currency notes issued by the Reserve Bank are the Reserve Bank's liability and this constitutes** the liabilities of the Issue Department. Total notes issued are the sum of Notes in circulation and Notes held in the Banking Department of the Bank.

73. Solution: (d)

Exp) Option d is the correct answer.

Project Nexus is an initiative conceptualized by the **Innovation Hub of the Bank for International Settlements** (BIS). It is a **multilateral international initiative** designed to **enable instant cross-border retail payments by interlinking domestic fast payment systems** (FPSs). The platform aims to connect the FPSs of five founding member countries—**Malaysia, Philippines, Singapore, Thailand,** and **India**. An agreement to this effect was signed on June 30, 2024, by the BIS and the central banks of the participating nations.

74. Solution: (b)

Exp) Option b is the correct answer.

Seigniorage is a term used for the profits governments make by minting currency. **It is the difference between the face value of a currency note or coin, and its actual production cost.** For instance, if the cost of printing 2,000 rupees -note is about 4 rupees, printing one such note and putting it into circulation fetches a profit of 1,996 rupees. Usually central banks 'earn' this profit and transfer it to the Government.

Higher denomination notes earn higher profits. However, things are different in the case of coins where the cost of minting coin is usually equal to the face value and can fluctuate based on the price of base metal.

75. Solution: (c)

Exp) Option c is the correct answer.

NABARD is India's apex development bank, established in 1982 under an Act of Parliament to promote sustainable and equitable agriculture and rural development.

Option 1 is incorrect. The foundation of the National Bank for Agriculture and Rural Development (NABARD) was approved by the Parliament through Act 61 of 1981, based on the **Shri B. Sivaraman Committee's interim report suggestion.**

Option 2 is correct. NABARD provides long-term refinance to commercial banks, RRBs, cooperative banks, and other qualifying institutions for providing loans for farm and non-farm activities.

Option 3 is correct. The Government of India has entrusted NABARD with managing phased resource mobilization for prestigious flagship schemes such as the **Long-Term Irrigation Fund (LTIF), Pradhan Mantri Awaas Yojana - Gramin (PMAY-G), Swachh Bharat Mission (SBM), Micro irrigation Fund (MIF), Dairy Infrastructure Development Fund (DIDF),** and Fisheries and Aquaculture Infrastructure Development Fund (FIDF), among others. **NABARD has been designated as National Implementing Entity (NIE) of Green Climate Fund.**

Option 4 is correct. RRBs are Indian government-owned scheduled commercial banks that operate at the regional level in several Indian states. The Government of India (GOI), the Sponsor Bank, and the concerned State Government own RRBs jointly. **Regional Rural Banks are regulated by the Reserve Bank of India and supervised by the National Bank for** Agriculture **and Rural Development (NABARD).**

76. Solution: (c)

Exp) Option c is the correct answer.

Pradhan Mantri Jan-Dhan Yojana (PMJDY) was launched in 2015. It is a National Mission for Financial Inclusion that aims to provide access to financial services including basic savings and deposit accounts, remittance, credit, insurance, and pension.

- Persons who do not have any other accounts can open a basic savings bank deposit (BSBD) account in any bank branch or Business Correspondent (Bank Mitra) outlet under the scheme.

Benefits under Pradhan Mantri Jan-Dhan Yojana (PMJDY):

1) In PMJDY accounts, there is no necessity to keep a minimum balance. **Hence, option a is correct.**
2) In PMJDY accounts, deposits receive interest.
3) Accident Insurance Coverage of Rs.1 lakh (increased to Rs.2 lakh for new PMJDY accounts opened after 28.8.2018) is available with the PMJDY account holders' RuPay card. **Hence, option b is correct.**
4) To qualifying account holders, an overdraft (OD) option of up to Rs. 10,000 is provided. **Hence, option c is incorrect.**

Option d is correct. Since the Pradhan Mantri Jan Dhan Yojana (PMJDY) was introduced 11 years ago, approximately 500 million Indians have registered accounts under the government's main financial inclusion program. According to finance ministry data, 55.5% of PMJDY account holders are women, indicating a significant step in closing the financial equality gap.

Important Tips

Other Provisions

1) PMJDY account holders receive a Rupay Debit card.
2) Direct Benefit Transfer (DBT), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), and Micro Units Development & Refinance Agency Bank (MUDRA) schemes are available for PMJDY accounts

77. Solution: (a)

Exp) Option a is the correct answer.

Statement a is correct: The bank rate is the rate at which the Reserve Bank of India (RBI) lends money to commercial banks for the long term without requiring collaterals. It is different from the repo rate, where loans are given for the short term against approved securities. Under this, there is **no repurchase agreement signed, or no collateral involved, or no securities sold.**

Important Tips

Bank Rate as Monetary Policy Instrument:

- **By increasing the bank rate, loans taken by commercial banks become more expensive.** This reduces the reserves held by the commercial bank and **increases the cost of borrowing.** This leads to an **overall decline in the total money supply** in the economy.
- A fall in the bank rate has the opposite effect. It leads to a decline in the cost of loans taken by commercial banks. This leads to an increase in commercial banks' reserves and a decline in the costs of borrowings. This can increase the total money supply in the economy.

78. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: The velocity of circulation of money is the **number of times a unit of money changes hands during the unit period.**

Statement 2 is correct: Velocity of circulation is measured by dividing GDP by the country's total money supply. **A high velocity of circulation in a country indicates a high degree of inflation.** It helps in determining how vigorous a country's economy is.

79. Solution: (a)

Exp) Option a is the correct answer.

The **Call/Notice** money market is a segment of the money market where **short-term funds** are borrowed and lent, for **one day on overnight basis (known as "call money")** or up to **2 to 14 days (known as "notice money")**.

It is primarily used by banks and other financial institutions to manage short-term liquidity needs, comply with the statutory CRR and SLR requirements or to fill the asset liability mismatch.

Financial entities allowed to participate in the call money market as both the lenders and the borrowers include **Scheduled Commercial Banks (SCBs) (Excluding the Local Area Banks)**, Primary Dealers (PDs), Small Finance Banks (SFBs), Payment Banks, Co-operative Banks (including State Cooperative Banks, District Central Cooperative Banks, and **Urban Cooperative Banks (other than Land Development Banks.)**

Regional Rural Banks (RRBs) have been permitted to participate in the call/notice/term money market both as a lender and borrower by RBI.

80. Solution: (a)

Exp) Option a is the correct answer.

The **Standing Deposit Facility** (SDF) and the **Reverse Repo** are both key monetary policy tools used by the Reserve Bank of India (RBI) to manage liquidity and stabilize the economy. These tools are designed to regulate the money supply, manage inflation, and control interest rates within the financial system. Both SDF and Reverse Repo are used by RBI to absorb excess liquidity from the banks to curb the money supply in the economy.

Statement 1 is correct: The **SDF**, is a **collateral-free tool** used by the RBI to **absorb excess liquidity from the banking system** by accepting deposits from commercial banks without any collateral. This mechanism was brought into effect following the **amendment to Section 17 of the RBI Act**, done in **2018,** which empowered the RBI to introduce the SDF.

In contrast, the Reverse **Repo** involves the **commercial banks lending money to RBI against government securities as collateral**, making it a secured transaction. It is a key monetary policy tool used to regulate liquidity and control inflation. Hence the purpose of both SDF and reverse repo is same i.e. to absorb the excess liquidity from the banking system but they differ in the sense of use of collateral.

Statement 2 is incorrect: The **interest rate under the Standing Deposit Facility (SDF) is lower than the Repo Rate.** The SDF rate is usually set **25 basis points below the policy Repo Rate**. This design reflects its role as **a floor rate within the Liquidity Adjustment Facility** (LAF) corridor, meant for absorbing excess liquidity from the banking system. In case of reverse repo also the reverse repo rate is typically lower than the policy Repo Rate. Hence the statement is incorrect.

81. Solution: (c)

Exp) Option c is the correct answer.

Sterilization is the process used by **central banks**, including RBI to **offset the effects of foreign exchange operations on the domestic money supply by using monetary tools like open market operations.** When a central bank intervenes in the foreign exchange market, it can either inject or withdraw liquidity from the economy, depending on whether it is buying or selling foreign currency.

When buying foreign currency: If the central bank buys foreign currency, it injects domestic currency into the economy. To neutralize this surplus liquidity and prevent inflationary pressures, the central bank will conduct **open market operations** (OMO) by selling government securities. This reduces the money supply and helps stabilize domestic conditions.

When selling foreign currency: If the central bank sells foreign currency, it withdraws domestic currency from the economy. In this case, the central bank may buy government securities through OMO to inject liquidity back into the economy.

Sterilization through these OMOs helps the central bank manage the money supply, stabilize inflation, and maintain control over domestic interest rates while managing exchange rate stability.

82. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: The **Market Stabilisation Scheme** (MSS), launched in 2004 by the RBI, is designed to **absorb excess liquidity from the economy**. When there is surplus liquidity in the market, such as from large foreign capital inflows or government spending, it can lead to inflationary pressures. To manage this, the **RBI issues government securities under the MSS to absorb this excess liquidity**, thus helping to stabilize the money supply and control inflation. Under the scheme, the Reserve Bank issues treasury bills/dated Government securities by way of auctions and the cost of sterilisation is borne by the Government. The money raised under the MSS is held by the Government in a separate identifiable cash account maintained and operated by the Reserve Bank, which would be appropriated only for the purpose of redemption and/or buyback of issuances under MSS.

Statement 2 is correct: The **securities issued under the MSS are typically in the form of short-term Treasury Bills** and **long-term dated government securities**. Treasury Bills have shorter maturities, typically up to one year, while dated government securities have longer maturities, typically between 5 to 40 years. This allows the RBI to manage liquidity over both short and long-term periods.

Statement 3 is correct: The **proceeds from the sale of MSS securities are held in a separate account, Market Stabilisation Scheme Account (MSS Account) to be maintained and operated by the Reserve Bank.** These funds are appropriated **only for the purpose of redemption and/or buyback of issuances under MSS.**

This ensures that the funds raised are only used to manage liquidity and are not diverted for general government spending. Also, if these funds are spent by the government, it would be counterproductive to the sterilisation efforts made by the RBI under MSS, as it would reintroduce the absorbed liquidity into the market, defeating the purpose of managing excess liquidity.

83. Solution: (a)

Exp) Option a is the correct answer.

The **Prompt Corrective Action** (PCA) framework is a tool used by the RBI to maintain the financial health of banks in India. The framework aims to ensure that banks with financial stress take corrective measures in a timely manner to prevent further deterioration. PCA **is implemented when a bank's key financial parameters breach the prescribed thresholds.**

Key parameters used in the PCA framework as per the latest notification of Reserve Bank of India include the **Net Non-Performing Assets (NPA) ratio, Capital Adequacy Ratio, and Tier 1 Leverage Ratio.**

Option 1 is correct: When a bank's **Non-Performing Assets** (NPAs) **exceed certain thresholds**, it reflects the deterioration in the quality of its loan portfolio. High NPAs indicate that a bank is struggling with credit risk, and **PCA is imposed** to address this issue.

Option 2 is correct: Capital Adequacy Ratio (CAR) is the ratio of a **bank's capital to its risk-weighted assets.** A low CAR indicates that a bank does not have enough capital to absorb potential losses, making it a **critical parameter in the PCA framework.**

Option 3 is incorrect: The **Liquidity Coverage Ratio** (LCR) measures a bank's ability to **meet** its **short-term obligations** with its **high-quality liquid assets** (HQLA). A higher LCR indicates better liquidity, reducing the risk of a liquidity crisis. While LCR is essential for ensuring banks can cover their short-term liabilities, **it is not a criterion for triggering PCA.**

84. Solution: (d)

Exp) Option d is the correct answer.

Priority Sector Lending (PSL) is a mechanism set by the RBI that mandates banking institutions to allocate a specified portion of their total credit to some specific sectors.

Currently, **domestic scheduled commercial banks** and **foreign banks with 20 branches or more** are required to direct **40% of their total lending to priority sectors**, which include agriculture, micro, small and medium enterprises (MSMEs), education, housing, social infrastructure and others. For the foreign banks with less than 20 branches: 40 percent is the limit for PSL; out of which up to 32% can be in the form of lending to exports and not less than 8% can be to any other priority sector.

Additionally, banks such as **Regional Rural Banks** (RRBs) and **Small Finance Banks** (SFBs) are required to direct **75%** of their total lending towards PSL.

PSL is an example of credit rationing, a method where the **central bank sets specific credit quotas for different sectors.**

Under credit rationing, the **RBI limits the amount of credit available to certain sectors** by fixing a **maximum lending limit for the sector.** The objective is to channel financial resources to critical areas of the economy, ensuring these sectors receive adequate support, while curbing excessive or liberalized lending to others.

Important Tips

Moral suasion: This refers to the RBI using persuasion and appeals to encourage commercial banks to follow certain credit policies without using legal or forceful measures.

Direct action: Direct action involves the RBI taking punitive measures, such as imposing penalties or restrictions on banks that fail to adhere to regulatory requirements, including credit-related policies.

Margin requirement: This refers to the requirement that banks must maintain a certain percentage of collateral value (margin) against loans or credit given to borrowers, ensuring that the loan amount does not exceed the value of the collateral.

85. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: The Reserve Bank of India Act, 1934 (RBI Act) has been amended by the Finance Act, 2016, to provide for a statutory and institutionalized framework for a Monetary Policy Committee, for maintaining price stability, while keeping in mind the objective of growth. It formalized the role of the MPC in determining monetary policy.

Statement 2 is correct: The MPC is tasked with **fixing the repo rate, which influences other key policy rates and overall liquidity in the economy.** Its primary goal is to achieve the inflation target set under the Monetary Policy Framework Agreement.

Statement 3 is correct: As per Reserve Bank of India Act, 1934- "All questions which come up before any meeting of the Monetary Policy Committee shall be decided by a majority of votes by the Members present and voting, and **in the event of an equality of votes, the Governor shall have a second or casting vote.'**

Statement 4 is correct: The MPC is **required to meet at least four times a year** as per the RBI Act, 1934. This ensures regular reviews of monetary policy to respond to changing economic conditions.

86. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: The RBI's guidelines state that **Scheduled Commercial Banks (other than Regional Rural Banks, Payment Banks and Local Area Banks)** with past digital banking experience are permitted to open DBUs in Tier 1 to Tier 6 centres, unless otherwise specifically

restricted, without having the need to take permission from Reserve Bank of India in each case.

Statement 2 is incorrect: DBUs are allowed to offer credit cards and debit cards. DBUs can also provide services such as savings bank accounts under various schemes, current accounts, fixed deposits and recurring deposit accounts, digital kit for customers, mobile banking, Internet banking, credit cards, and mass transit system cards, digital kit for merchants, UPI QR code, BIIIM Aadhaar and point of sale (PoS).

87. Solution: (b)

Exp) Option b is the correct answer.

Small Finance Banks (SFBs) are a category of **niche banks** in India, established with the primary objective of promoting financial inclusion. They primarily cater basic banking activities to underserved and unserved sections of society, including small businesses, small and marginal farmers, micro and small industries, and low-income households.

Statement 1 is correct: SFBs are permitted to **provide remittance services**, which include both **domestic and international fund transfers.**

Domestically, they facilitate money transfers within India, catering to the needs of migrant workers and underserved populations. For international remittances, they can handle both inward and outward transactions, enabling families or individuals to receive or send funds abroad efficiently.

Statement 2 is correct: The Loan portfolio of small finance banks should constitute of at least 50% of loans up to 25 lakhs.

Statement 3 is incorrect: RBI guidelines explicitly **prohibit SFBs from setting up subsidiaries for non-banking financial activities.**

Important Tips

Key Facts about SFBs:

- **Regulation**: SFBs are registered as public limited companies under the Companies Act, 2013 and governed by Banking Regulations Act, 1949; RBI Act, 1934 and other relevant Statutes.
- **Capital Requirements**: SFBs require a minimum paid-up capital of ₹200 crores.
- **Priority Sector Lending (PSL)**: SFBs must allocate at least 75% of their Adjusted Net Bank Credit (ANBC) to PSL sectors, higher than the 40% mandate for regular banks.
- **Deposits and Lending**: They can accept all types of deposits (savings, current, recurrent and fixed) and provide loans to customers.

88. Solution: (a)

Exp) Option a is the correct answer.

Regional Rural Banks (RRBs) are specialized financial institutions established with the primary aim of promoting financial inclusion and **providing affordable credit to rural areas in India.** They were set up under the **Regional Rural Banks Act, 1976.**

Statement 1 is correct: RRBs are indeed **required to allocate a minimum of 75% of their Adjusted Net Bank Credit (ANBC) to Priority Sector Lending** (PSL). PSL sectors includes agriculture, micro, small and medium enterprises (MSMEs), education, housing, social infrastructure and others. This requirement aims to promote financial inclusion and ensure that RRBs serve the rural economy by focusing on key sectors that need financial support.

Statement 2 is incorrect: Initially, **RRBs were not permitted to avail the Liquidity Adjustment Facility** (LAF) of the Reserve Bank of India (RBI), which includes the **repo and reverse repo operations.**

However, in **2020**, the RBI revised its policy and **allowed RRBs to access the LAF**, alongside the Marginal Standing Facility (MSF) and call/notice money market. This **change enabled RRBs to borrow funds from the RBI under the repo facility** to manage their short-term liquidity needs.

Important Tips

Key Facts about RRBs:

- **Ownership Structure:** RRBs are jointly owned by the **Government of India (50%),** concerned **state governments (15%),** and **sponsor banks (35%).**
- **Regulation and Supervision:** RRBs are regulated by the **RBI**, and supervised by **National Bank for Agriculture and Rural Development (NABARD).**
- **First RRB in India**: **Prathama Bank**, the first RRB, was established on 2 October 1975 in Moradabad, Uttar Pradesh.

89. Solution: (d)

Exp) Option d is the correct answer.

The **Currency Deposit Ratio** (CDR) is the **ratio of the total currency in circulation to the total deposits held in banks.** It reflects the public's preference for holding cash as compared to keeping it in bank accounts.

Statement I is incorrect: The Currency Deposit Ratio (CDR) generally increases during the festival seasons. This occurs because people tend to withdraw more cash during such periods to meet increased spending demands, such as for shopping and celebrations. So, the currency in circulation will increase and the deposits will decrease.

Statement II is correct: Cash withdrawals rise as people prepare for increased spending on festivities, entertainment, and travel. This reflects a general trend where individuals withdraw more cash to manage higher expenses related to various activities.

The increase in cash withdrawals, as stated in Statement II, leads to more currency in circulation, which, relative to deposits, causes a rise in the Currency Deposit Ratio (CDR) during festival seasons.

90. Solution: (a)

Exp) Option a is the correct answer.

The Reserve Bank of India was established on April 1, 1935, in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank was initially established in Kolkata but was permanently moved to Mumbai in 1937.

Statement 1 is correct: Section 20 of the RBI Act, 1934, mandates the Reserve Bank of India (RBI) to act as the banker for the Central Government. It includes **accepting money for the government's account**, making payments based on the available balance, and managing various banking operations like exchange, remittance, and **public debt**. Additionally, the RBI can also manage the finances of State governments such as managing the public debts of States through agreements. However, any such agreement must be presented before the Parliament.

Statement 2 is incorrect: According to **Section 26(2) of the RBI Act, the Central Government (not the RBI) has the authority** to declare any series of banknotes of any denomination invalid **after receiving a recommendation from the central board of the RBI.**

91. Solution: (a)

Exp) Option a is the correct answer.

The paradox of thrift was popularized by the renowned economist John Maynard Keynes. **The paradox of thrift occurs when individuals or households, in an attempt to save more during uncertain economic times, reduce their consumption.** While saving is generally beneficial at the individual level, if everyone in the economy saves more at the same time, total demand for goods and services decreases. This reduction in demand can lead to lower economic output, higher unemployment, and **ultimately a decrease in overall economic growth**.

92. Solution: (c)

Exp) Option c is the correct answer.

Priority Sector Lending (PSL) is a mandate by the Reserve Bank of India **(RBI)** that requires banks to allocate a portion of their lending to specific sectors that impact the larger economy and society, such as agriculture, weaker sections, and small enterprises.

Option 1 is correct. Loans to **Self Help Groups** (SHGs) engaged in agriculture and allied activities (like animal husbandry, fisheries, sericulture, etc.) are eligible under the **PSL Agriculture** category.

Option 2 is correct. Loans to micro, small, and medium enterprises **(MSMEs)** engaged in activities such as **Khadi and Village Industries (KVI)** qualify as PSL under the "MSME" category.

Option 3 is correct. Loans provided under the Kisan Credit Card Scheme for crop production, maintenance, and allied activities are explicitly included under the "Agriculture" category of PSL.

93. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: Shadow pricing is the practice of assigning a monetary value to an item, commodity, or service that is not ordinarily bought and sold in any marketplace. Shadow pricing is used in many different areas and comes with a specific definition based on the context it is used in.

- A common context where shadow pricing is applied is that of what economists refer to as societal value. In such a context, shadow prices are **utilized to estimate the benefits to society that may be gained from things** such as public parks or libraries.
- Shadow pricing may also be used to estimate costs, as well as benefits, to society. An area where it is frequently seen now is that of climate change. Shadow pricing is used to approximate the unseen costs to society of using carbon-based energy sources.
- In a business context, shadow pricing is often utilized as part of the decision-making process when a company is considering making a major capital investment.

94. Solution: (d)

Exp) Option d is the correct answer.

Option a is incorrect: Monetarism is a macroeconomic theory which argues that governments can maintain economic stability by **targeting the growth rate of money supply.** It states that the total amount of money in an economy is the primary determinant of economic growth. **As the availability of money increases, so too does demand for goods and services.**

Option b is incorrect: 'Keynesian Economics' is based on the idea that **government intervention can stabilize an economy.** It argued that an economy's output of goods and services is the sum of four factors: consumption, investment, government purchases and net exports - and any increase in demand has to come from one of these. But during a recession, external forces often dampen demand, risking a reduction in spending and as such, investment in businesses making these goods.

Option c is incorrect: Capital flight is a large-**scale exodus of financial assets and capital from a nation due to events** such as political or economic instability, currency devaluation or the imposition of capital controls.

Option d is correct: Hysteresis in the field of economics **refers to an event in the economy that persists even after the factors that led to that event have been removed or otherwise run their course.** Hysteresis often occurs following extreme or prolonged economic events such as an economic crash or recession. After a recession, for example, the unemployment rate may continue to increase despite growth in the economy and the technical end of the recession. Another example is that of CORONA crisis, people started saving more and spending less. Even though the pandemic has ended, still people continue to spend less.

95. Solution: (d)

Exp) Option d is the correct answer.

Global economies are in a recession due to high inflationary pressure. To combat this, the US federal reserve, central bank of the US, is taking aggressive steps such as an increase in interest rates to reduce the money supply flow in the economy.

Statement 1 is correct: The Indian economy is highly vulnerable to the US Federal Reserve interest rate action. When interest rates are increased by the US Federal Reserve, investors in the government securities in the USA will benefit due to higher interest rates. So, a greater number of global investors will prefer to invest in the government securities of the US because they are considered as safest investment opportunity. For example, when interest rates in the US rise, the propensity of FIIs to invest in India goes down due to higher opportunity costs for them. For example, FIIs could earlier borrowed at 2% and invested in India and get a return of 8%, but if the Fed increases rates from 2% to 4%, then some of the investors in the US may not find investing in India attractive and may start pulling out funds from India and invest back in the US.

Statements 2 and 3 are correct: One of the primary channels through which the Federal Reserve's monetary policy affects India is through exchange rate fluctuations. A monetary tightening by the Fed could lead to an **appreciation of the US dollar**, which in turn could lead to a **depreciation of the Indian rupee.** This could make **Indian exports cheaper** and more competitive, but it could **also increase the cost of imports** and lead to higher inflation in India. FII Outflows along with intervention by RBI will cause depletion of India's Forex reserves. **This may lead to increase in current account Deficit for India.**

96. Solution: (a)

Exp) Option a is the correct answer.

Commercial banks viz. Private Sector banks, Public Sector Banks, Foreign Banks in India, Local Area Banks, Small Finance Banks, Payment Banks, Regional Rural Banks and cooperative banks viz. State Cooperative Banks, District Central Cooperative Banks and Urban Cooperative Banks, which are registered with Deposit Insurance and Credit Guarantee Corporation (DICGC) are insured. Obtaining deposit insurance cover is mandatory for all banks licensed by RBI.

Option 1 is correct: The DICGC insures all deposits such as savings, fixed, current, recurring, etc. Payments banks are insured under Deposit insurance facility of DICGC. Thus individual deposits are insured by Deposit Insurance and credit guarantee corporation (DICGC) under its deposit insurance facility.

Options 2 and 3 are incorrect: The deposits which are not insured by Deposit Insurance and credit guarantee corporation (DICGC) under its deposit insurance facility:

- **Deposits of foreign Governments;**
- Deposits of Central/State Governments;
- **Inter-bank deposits;**
- Deposits of the State Land Development Banks with the State co-operative bank;
- Any amount due on account of and deposit received outside India
- Any amount, which has been specifically exempted by the corporation with the previous approval of Reserve Bank of India

97. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is *incorrect.* The RBI Act provides for the **inflation target to be set by the Government of India, in consultation with the Reserve Bank,** once in every five years. Accordingly, the Central Government has notified 4 per cent Consumer Price Index (CPI) inflation as the target until the fiscal year 2025-26 with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent.

Statement 2 is correct. India formally adopted flexible inflation targeting (FIT) in June 2016 to place **price stability, defined in terms of a target CPI inflation, as the primary objective of the monetary policy**. In May 2016, the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework.

Statement 3 is *incorrect.* If RBI fails to meet the inflation target, then it will have **to explain the reason** for its failure to meet the target as well as **give a timeframe** within which it will achieve the inflation target.

Statement 4 is correct. The amended RBI Act, 1934 provides for an empowered six-member monetary policy committee (MPC) to be constituted by the Central Government by notification in the Official Gazette. The **MPC determines the policy interest rate required to achieve the inflation target.**

98. Solution: (d)

Exp) Option d is the correct answer.

Money multiplier is a term in monetary economics that is a phenomenon of creating money in the economy in the form of credit creation, which is based on the fractional reserve banking system.

Statement 1 is incorrect: Cash Reserve Ratio (CRR) is the share of a bank's total deposit that is mandated by the Reserve Bank of India (RBI) to be maintained with the latter as reserves in the form of liquid cash. There are two main objectives of the Cash Reserve Ratio:

1) Cash Reserve Ratio ensures that a part of the bank's deposit is with the Central Bank and is hence, secure.

2) Another objective of CRR is to keep inflation under control. During high inflation in the economy, RBI raises the CRR to reduce the amount of money left with banks to sanction loans. **It squeezes the money flow in the economy, reducing investments and bringing down inflation. Thus, an increase in CRR will lead to a decrease in the multiplier effect.**

Statement 2 is correct: An increase in banking activity will lead to more money in the bank's hands in the form of Time

Deposits, Demand Deposits etc, thus increase in banking habits of the people will increase the money multiplier.

Statement 3 is correct: Decreased repo rate and bank rate results in availability of cheaper loans to banks. This results in increased money multiplier.

Statement 4 is incorrect: The repo rate is the interest rate at which the Reserve Bank of India (RBI) loans money to commercial banks. An increased repo rate means that banks borrowing money from the central bank during this period will have to pay more interest. This inhibits banks from borrowing money, reducing the amount of money in the market and helping to negate inflation. **Increasing the Repo rate makes the cost of the funds high for commercial banks and leads to high interest rates on loans which leads to reduction in the money supply in market. Thus, a high repo rate reduces the money multiplier effect.**

99. Solution: (b)

Exp) option b is the correct answer.

Statement 1 is incorrect: The description of the priority sectors was first formalised in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to advances to the Priority Sectors constituted by the Reserve Bank in May 1971. First time in 1974, the banks were given a target of 33.3% as share of the priority sector in the total bank credit.

Statement 2 is correct: To provide adequate amount of investment, the Reserve Bank of India has included renewable energy in the PSL (priority sector lending) for scheduled commercial banks.

Statement 3 is correct: PSL norms are not applicable to Non-Banking Financial Companies. Institutions to which PSL obligations are applicable are given in the table below:

Commerical Banks including foreign banks	Regional Rural Banks	Payment Banks
40%	75%	They do not give credit

Note: As per recent notification PSL by RBI, the PSL target for Small Finance Banks and Urban Cooperative Banks has been reduced to 60% of ANBC.

Statement 4 is correct: According to the RBI guidelines, regional rural banks will be required to extend 75% of their Adjusted Net Bank Credit to the sectors eligible for classification as priority sector lending (PSL) by the RBI.

100. Solution: (d)

Exp) Option d is the correct answer.

Option d is correct: Neo Banks are generally **fin-tech startups** that provide **banking services** in a **digital, online only** mode. It has **no physical branches.** All operations, like opening an account, transactions, withdrawal, deposits are done digitally using web platforms or mobile apps.

These financial institutions operate exclusively online, without any physical branches, and provide all banking services, and more, digitally.

101. Solution: (b)

Exp) Option b is the correct answer.

The Kisan Credit Card (KCC) scheme was introduced in 1998 for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that farmers may use them to readily purchase agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs. The scheme was further extended for the investment credit requirement of farmers viz. allied and non-farm activities in the year 2004. The funds under KCC can be used for the following purposes:

Option 1 is correct: The funds can be used for meeting **expenses related to post-harvest activities** such as storage, transportation, and marketing of agricultural produce.

Option 2 is correct: The funds can be used for meeting **consumption requirements of farmers** and their families such as food, education, healthcare, etc.

Option 3 is correct: Farmers require funds for various **crop-related expenses such as purchase of seeds, fertilizers, pesticides, labour costs,** etc. KCC funds **can be used to meet these short-term credit requirements for crop cultivation.**

Option 4 is correct: Farmers require **working capital to maintain their farm assets such as land, irrigation systems, farm machinery, etc.** KCC funds can be used to meet these working capital requirements for maintenance of farm assets.

102. Solution: (b)

Exp) Option b is the correct answer.

Integrated Ombudsman Scheme was launched by RBI by integrating the existing three Ombudsman schemes of RBI namely, the Banking Ombudsman Scheme, 2006; the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and the Ombudsman Scheme for Digital Transactions, 2019.

Statement 1 is incorrect: Integrated Ombudsman Scheme was launched by the Reserve Bank in exercising the powers **conferred on it under Section 35A of the Banking Regulation Act, 1949**.

Statement 2 is correct: The scheme will **provide redress of customer complaints** involving **deficiency in services rendered by RBI regulated entities** viz. banks, NBFCs (Non-banking Financial Companies) and pre-paid instrument players if the grievance is not resolved to the satisfaction of the customers or not replied within a period of 30 days by the regulated entity.

Statement 3 is incorrect: Integrated Ombudsman Scheme will not only cover the customers of all scheduled commercial banks, regional rural banks, **scheduled urban cooperative banks (UCBs)** and other UCBs with deposits of Rs50 crore and above, **all deposit-taking NBFCs** and NBFCs with assets of ₹100 crore and above, and non-bank system participants, it will also cover all complaints involving deficiency in service.

103. Solution: (c)

Exp) Option c is the correct answer.

Standing Deposit Facility is a new liquidity tool introduced by RBI in 2022. In 2018, the amended Section 17 of the RBI Act empowered the Reserve Bank to introduce the SDF – an additional tool for absorbing liquidity without any collateral.

Statement 1 is correct: The concept of Standing Deposit Facility was **first recommended by the Urjit Patel committee report in 2014.**

Statement 2 is incorrect: The main purpose of SDF is to reduce the excess liquidity in the system, and control inflation. It allows the **RBI to absorb liquidity (deposit) from commercial banks** without giving government securities in return to the banks.

Statement 3 is correct: One of the key features of the SDF is that it **allows banks to park their funds without the need for any collateral**, which makes it an attractive option for banks to manage their short-term liquidity needs.

104. Solution: (c)

Exp) Option c is the correct answer.

The decision to increase the Repo rate is taken by the **Monetary Policy Committee (MPC),** which takes into account various factors, including inflation, economic growth, and global economic conditions, before making its decision. In India, if the Repo rate is increased by 1%, the main implication is that it **would become more expensive for commercial banks to borrow money from the Reserve Bank of India** (RBI), which is the central bank of India. This, in turn, would make it **more expensive for commercial banks to lend money to their customers,** such as individuals and businesses. As a result, **borrowing costs for individuals and businesses would increase**, which could lead to a slowdown in economic growth.

Option a is incorrect: An increase in the repo rate **actually leads to a decrease in credit offtake in the market.** When the repo rate is increased, commercial banks have to pay a higher interest rate to borrow money from the RBI, and this cost is passed on to their customers in the form of higher lending rates. This makes it more expensive for individuals and businesses to borrow money, which in turn, leads to a decrease in credit offtake in the market.

Option b is incorrect: An increase in the repo rate is **likely to increase the yield of government bonds in the long run.** This is because an increase in the repo rate may lead to a decrease in the demand for credit in the market, which may lead to a decrease in the demand for government bonds as well. However, in the long run, the increase in the repo rate is likely to reduce inflationary pressures, which may increase investor confidence in the economy and lead to an increase in the demand for government bonds, thereby increasing their yield.

Option d is incorrect: An increase in the repo rate is often **used by the RBI to control inflation by reducing the amount of money available for lending and spending.** This reduces the demand for goods and services, which may lead to a decrease in the prices of goods and services, thus breaking the inflationary cycle.

105. Solution: (c)

Exp) Option c is the correct answer

Tokenisation is the process of replacing a card's 16-digit number on the plastic card with a unique alternate card number or 'Token which shall be unique for a combination of card, token requestor (an intermediary between customer and card company for tokenization of card) and a device used for the transaction.

Statement 1 is correct: In tokenized card transactions, the actual card data is not given to the merchant, but a unique code called token. Tokenization is the process of replacing original card details with an alternative code called a token which is unique and provides an **additional degree of protection for customer credit card details.**

Statement 2 is correct: Tokenised transactions are faster than traditional card transactions. Tokenisation will speed up the transaction process as under tokenised transaction, it will be no longer required to repeatedly enter one's card information since once a token has been issued, it may be used for multiple times on the online merchant app or website.

106. Solution: (b)

Exp) Option b is the correct answer.

The correct chronological order of the given economic events in the development of Indian banking system is:

1. **Enactment of the Banking Regulation Act (1949):** The Banking Regulation Act was enacted in 1949 to regulate the banking sector in India and ensure the safety of

depositors' money. The Act defines the legal framework for banking in India, including provisions for the establishment of new banks, the licensing and operation of banks, and the regulation of banking operations. The RBI is responsible for enforcing the provisions of the Act and ensuring the soundness and stability of the banking system.

2. **Nationalization of fourteen major commercial banks (1969):** The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, was passed by the Indian parliament, which nationalized 14 major Indian banks, followed by an additional 6 banks in 1980. This move was aimed at increasing the reach of banking services and making them more accessible to the masses. The nationalized banks were also required to focus on priority sectors, such as agriculture, small-scale industries, and exports, in line with the government's developmental goals.
4. **Establishment of Regional Rural Banks (1975):** The Regional Rural Banks (RRBs) were established in 1975 as a key initiative to provide banking services to rural areas in India. The RRBs were set up with the objective of providing credit and other banking facilities to small and marginal farmers, agricultural laborers, artisans, and small entrepreneurs in rural areas. The RRBs have been instrumental in increasing the level of financial inclusion in rural areas and providing credit to the underserved sections of society.
3. **Introduction of Electronic Funds Transfer (EFT) system (1994):** The Electronic Funds Transfer (EFT) system was introduced in 1994 as a means of enabling electronic transfer of funds between banks. The EFT system enables customers to transfer funds electronically from one bank account to another, without the need for physical movement of cash or checks. This has resulted in a significant reduction in the time and cost of transactions and has made banking services more efficient and accessible to customers. EFT has also played a significant role in promoting e-commerce and online banking in India.

107. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: The SARFAESI Act protects financial creditors (Secure creditors), who are mostly banks and other financial institutions, by allowing them to impose their security interests without the need for court interference. The Insolvency and Bankruptcy Code, on the other hand, guarantees the interests of all forms of creditors (including both secured and unsecured), which are further divided into Financial and Operational Creditors by the IBC.

Statement 2 is correct: According to National Company Law Appellate Tribunal (NCLT), Insolvency and Bankruptcy Code shall prevail over any provisions of the SARFAESI, if there was any inconsistency between IBC and SARFAESI.

Important Tips

In large size cases where there is a high debt burden, SARFAESI Act is not much effective and taking physical possession in such instances kills the business and there is little scope of revival. On the other hand, resolution plans under IBC are focused towards securing the interest of all stakeholders and directed toward the revival of the business as well, hence in such large cases, IBC is highly effective.

108. Solution: (d)

Exp) Option d is the correct answer.

Payment banks and Small finance banks are two different types of banks operating in India with distinct features and objectives.

Statement 1 is incorrect: Payment banks are not permitted to lend money to their customers, while SFBs can lend money to their customers. **Small finance banks are set up to offer financial inclusions by providing credit facilities and loans to small businesses** operating from underprivileged areas, marginal and small farmers, small and micro industries, and other businesses operating specifically in the unorganized sectors.

Statement 2 is incorrect: Small Finance Banks can **accept recurring and Fixed Deposits**, while Payment Banks **cannot accept time deposits i.e., fixed or recurring deposits.**

Statement 3 is incorrect: Payment Banks are only allowed to invest the money received from customers' deposits into government securities.

109. Solution: (c)

Exp) Option c is the correct answer.

National Bank for Agriculture and Rural Development (NABARD) is an apex regulatory body for overall regulation of regional rural banks and apex cooperative banks in India. It is under the jurisdiction of Ministry of Finance, Government of India.

Statement 1 is incorrect: National Bank for Agriculture and Rural Development (NABARD) is a development financial institution in India that was established in 1982. It is **100% owned by the Government of India and is headquartered in Mumbai, Maharashtra.** In 2019, Reserve Bank of India sold its entire stakes to government for Rs 1,450 crore making it fully government-owned now.

Statement 2 is correct: NABARD provides direct and indirect refinance facilities to various financial institutions. The **indirect refinance facility provided by NABARD is given through the State Cooperative Agriculture and Rural Development Banks** (SCARDBs) and Regional Rural Banks (RRBs). Under this facility, NABARD refinances loans extended by SCARDBs and RRBs to farmers, rural artisans, and small entrepreneurs.

Statement 3 is correct: NABARD **operates and maintains the Rural Infrastructure Development Fund (RIDF), which was set up in 1995 to provide loans to state governments for**

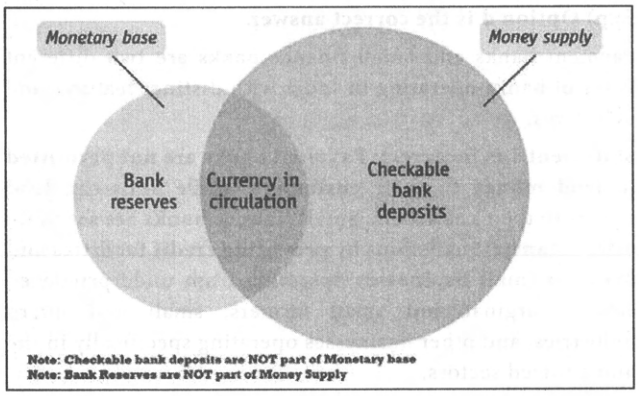
financing rural infrastructure projects such as irrigation, rural roads, bridges, health centers, and schools. The RIDF is a vital source of financing for rural infrastructure development in India and has played a significant role in improving rural infrastructure in the country.

110. Solution: (d)

Exp) Option d is the correct answer.

All the statements are correct.

The total liability of the monetary authority of the country, RBI, is called the monetary base or high powered money.



It consists of:

Option 1 is correct: currency (notes and coins in circulation with the public),

Option 2 is correct: reserves of the commercial banks (which include vault cash and banks' deposits) with RBI.

Option 3 is correct: deposits held by the Government of India with RBI.

111. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: The Banking Regulation Act came in to force in 1949 and the banking laws were made applicable to cooperative societies in 1966 through an amendment to the Banking Regulation Act, 1949. However, it must be noted here that all cooperative banks do not come under Banking Regulation Act, 1949. **Primary Agricultural Credit Societies and long-term credit co-operatives are outside the purview of the Banking Regulation Act, 1949** and are hence **not regulated by the Reserve Bank**. The NABARD conducts voluntary inspection of State Cooperative Agricultural and Rural Development Bank, apex-level co-operative societies and federations.

Statement 2 is incorrect: In 1966, amendment was made to the Banking Regulation act, 1949. Since then, there is **'duality of control'** over cooperative banks (excluding urban cooperative banks) between the State Registrar of Cooperative Societies/Central Registrar of Cooperative Societies and the Reserve Bank of India. The Reserve Bank regulates and supervises the banking functions and amalgamation and liquidation through the Banking regulation Act, 1949 and the non-banking aspects like registration, management, administration and recruitment are regulated by the State/ Central Governments (not by NABARD).

In 2020, an amendment was introduced to bring Urban Cooperative Banks under the supervision of RBI.

Statement 3 is incorrect: RBI approval is not required for appointment of Chairman/Whole-time Director/ Managing Director/CEO in case of Cooperative Banks (i.e. UCBs/StCB/DCCB). But in public interest and to protect the interest of the depositors, if required, RBI can supersede the Board of UCBs/StCB/DCCB.

112. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: The PCA Framework applies to all Scheduled Commercial Banks **excluding Small Finance Banks, Payment Banks and Regional Rural Banks.**

Statement 2 is incorrect: Capital, Asset Quality and Leverage are the key areas for monitoring in the revised framework. As per the revised guidelines, **profitability parameter has been excluded from its list of triggers**.

Statement 3 is incorrect: A bank is to be placed under the PCA framework **based on the Audited Annual Financial Results and the ongoing Supervisory Assessment made by RBI.** The RBI, and not the Department of Financial Services, Ministry of Finance, has the authority to place a bank under the PCA framework.

Statement 4 is incorrect: Banks placed under PCA are subject to **restrictions on opening new branches, among other things.** These restrictions are imposed by the RBI.

113. Solution: (c)

Exp) Option c is the correct answer

Additional Tier 1 (AT1) bonds appeared in the news as the Bombay High Court recently invalidated the write-off of additional Tier-1 (AT1) bonds issued by private lender Yes Bank. These bonds are a type of perpetual securities which offer higher risk and reward.

Option 1 is incorrect: Additional tier-1 bonds are a type of Unsecured bonds which means the bonds will not be backed up by any capitals of banks. In contrast **Secured bonds** is a debt instrument that is backed by collateral and if the issuer defaults on bond payments, then the title to the underlying assets will be passed to the bond holders.

Option 2 is correct: It is true that **AT1 bonds are perpetual and carry no maturity date**. Instead, they carry **call options** that allow banks to redeem them after five or 10 years. However, banks are not obliged to use this call option and can opt to pay only interest on these bonds for eternity.

Option 3 is correct: It is true that **banks issuing AT1 bonds have no obligation to pay back Principal amount to investors.** However, investors will receive interest rates on these bonds until the bonds will be written off by the banks. If the RBI feels that a bank is on the brink of **collapse** and needs a rescue, it can simply ask the **bank to cancel its outstanding AT-1 bonds without consulting its investors.**

Option 4 is incorrect: AT1 bonds **can be traded in secondary markets** which means AT1 bond holders can sell these bonds to others in the stock market to raise money.

114. Solution: (c)

Exp) Option c is the correct answer.

The money supply is the total amount of money used by the general public at a given point in time.

M0, M1, M2, M3, and M4 are **different measures of money supply** that are commonly used to track the amount of money in circulation in an economy.

1) **Reserve Money (M0):** Other names include High-Powered Money, Financial Base, Base Money, etc. M0 is calculated as follows: **Money in circulation + Bankers' deposits + Other deposits with RBI.** It is the economic foundation's currency.
2) **Narrow Money (M1):** M1 equals **money in circulation plus demand deposits in the banking system (current and savings accounts)** plus additional deposits with the Reserve Bank of India (RBI).
3) **Narrow Money (M2): Post Office Savings, Bank Savings Deposits** added to M1 equals M2.
4) **Broad Money (M3):** M3 **equals M1 plus time deposits made with banks.**
5) **Broad Money (M4):** M4 is equal to M3 plus any deposits made at post office savings banks.

Option 1 and 2 are incorrect: Reserve Money (M0) includes the currency in circulation and the reserves held by the central bank, while Narrow Money (M1) includes the most liquid forms of money such as currency in circulation and demand deposits. **Time deposits are not included in M0 or M1**, and hence an increase in time deposits will not have a significant effect on these measures of money supply.

Option 3 is correct: M3 includes **demand deposits and time deposits**. Hence, when there is an increase in time deposits, it will lead to an increase in M3.

115. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: Liquidity Adjustment Facility (LAF) has been **extended** to RRB. It is a tool used in monetary policy by the Reserve Bank of India (RBI). It enables banks to borrow money through repurchase agreements (repo) or banks to lend to the RBI using reverse repo contracts.

Statement 2 is correct: Marginal Standing Facility (MSF) has been **extended** to RRBs. It is a facility allowed to be used by banks. In this, planned commercial banks can lend extra amount of immediate cash from the RBI by dipping into their Statutory Liquidity Ratio (SLR) collection up till a limit at a penal rate of interest.

Statement 3 is correct: Call Money Market has been extended to RRB. Call money is also referred to as the money at call. It is a short-term loan which is due to be paid immediately in full as and when demanded by the lender. Under call money market, funds are transacted on overnight basis.

Statement 4 is correct: Notice money market has been extended to RRB. It allows the money at notice. It is a short-term loan which is due to be paid after serving the notice. under notice money market, funds are transacted for the period between 2 days and 14 days.

116. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: Any reduction in the bank rate and the repo rate will lead to borrowers getting loans at lower interest rates. **The lowering of the Bank Rate makes** the domestic banks borrow money at a cheap rate which in **turn increases the liquidity in the market.**

Statement 2 is correct: The maintaining of liquid assets by the commercial banks at the rate fixed by RBI is called **Statutory Liquidity Ratio regulation**. SLR ensures the liquidity and solvency of banks, which is fundamental for the sound banking system. Every scheduled bank in India requires maintaining liquid assets in the form of cash, gold and unencumbered approved securities and value of which shall not be less than 25 percent of demand and time liabilities of the bank. The implication of change in SLR is same as the change in CRR in regulating the expansion of credit. SLR is a statutory provision under Section 24 of the Banking Regulation Act 1949 and it is in addition to the Cash Reserve Ratio to be maintained by the bank. The SLR regulation is binding on all the commercial banks in India. RBI is with the power to increase the SLR rate, as and when it desires to do so. An **increase in SLR rate means that commercial banks shall have to invest more money in Government and other approved securities** which deplete lendable sources of the banks.

Statement 3 is correct: Loan-to-value (LTV) is an often-used **ratio in mortgage lending** to determine the **amount necessary to put in a down-payment** and whether a lender will extend credit to a borrower.

Most lenders offer mortgage and home-equity applicants the lowest possible interest rate when the loan-to-value ratio is at or below 80%. Lenders assess the LTV ratio to determine the level of exposure to risk they take on when underwriting a mortgage. When borrowers request a loan for an amount that is at or near the appraised value (and therefore has a higher LTV ratio), lenders perceive that there is a greater chance of the loan going into default.

117. Solution: (d)

Exp) Option d is the correct answer.

1) National Electronic Funds Transfer (NEFT) is a nation-wide centralised payment system owned and operated by the Reserve Bank of India (RBI).
2) The acronym 'RTGS' stands for Real Time Gross Settlement, which can be explained as a system where there is continuous and real-time settlement of fund-transfers, individually on a transaction-by-transaction basis.

Statement 1 is incorrect: NEFT ensures round the clock availability throughout the year and same is the case with RTGS transactions. Before December 2019, RBI had fixed

timings during which NEFT transactions can be processed. However, from 2020, NEFT transactions can be performed round the clock throughout the year. RTGS is available round the clock throughout the year with effect from December 14, 2020.

Statement 2 is incorrect: The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is ₹ 2,00,000/- with no upper or maximum ceiling.

Whereas, there is no limit imposed by the RBI for funds transfer through NEFT system. However, a member bank may place amount limits based on its own risk perception with the approval of its Board.

118. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: Under, liquidity adjustment facility (LAF) all clients of RBI are eligible to access funds. This includes All Scheduled Commercial Banks and Primary Dealers (PDs). Whereas under marginal standing facility only scheduled commercial banks can bid.

Statement 2 is incorrect: Under marginal standing facility, bank can sell the Government security from its SLR quota to RBI while this cannot be done for the LAF.

119. Solution: (c)

Exp) Option c is the correct answer

Statement 1 is correct: An Account Aggregator (AA) is a type of Reserve Bank of India **(RBI) regulated Non-Banking Financial Company (NBFC) that** helps an individual securely and digitally access and **share information from one financial institution they have an account with to any other regulated financial institution in the AA network.**

Statement 2 is correct: Account Aggregator (AA) is engaged in the business of providing the service of retrieving or collecting **financial information** pertaining to the customer. **No financial information of the customer is retrieved, shared or transferred by AA without the explicit consent of the customer.**

Important Tips

Registering with an AA is fully voluntary for consumers. If the bank the consumer is using has joined the network, **an individual can choose to register on an AA,** choose which accounts they want to link, and share their data from one of their accounts for some specific purpose to a new lender or financial institution at the stage of giving consent via one of the Account Aggregators. **A customer can reject a consent to share request at any time.**

3.2 Inflation

120. Solution: (c)

Exp) Option c is the correct answer.

A **wholesale price index (WPI)** measures overall **change in producer prices over time.** It is a measure of inflation based on the prices of goods before they reach consumers.

The **Consumer Price Index** measures the overall **change in consumer prices** based on a representative basket of goods and services over time.

Statement 1 is incorrect: WPI does not capture changes in the prices of services, while CPI captures the changes in both goods and services. WPI tracks the inflation at the producer level and CPI captures the inflation at the consumer level. WPI is released by Office of Economic Advisor and CPI is released by Central Statistics Office

Statement 2 is correct: In 2014, the **Reserve Bank of India** has adopted the new **Consumer Price Index (CPI)** (combined) as the **key measure of inflation.**

Statement 3 is correct: The **GDP price deflator measures the changes in prices** for all the goods and services produced in an economy. Using the GDP price deflator helps economists compare the levels of real economic activity from one year to another. The GDP price deflator is a more comprehensive inflation measure as it **is not based on a fixed basket of goods.** The Basket of goods and services used to compute the GDP deflator changes automatically over time.

121. Solution: (a)

Exp) Option a is the correct answer.

Galloping inflation refers to a condition when the inflation rate is extraordinarily high. In this scenario, the currency of the country will lose value. The salaries and income of common people will not be able to keep up with the ever-increasing prices of commodities. This will lead to the general instability of the economy and the country as a whole. Inflation in the double- or triple-digit range of 20, 100 or 200 percent a year is called galloping inflation.

Statement 1 is correct: As galloping inflation results in rapid decrease in the money value of local currency, people in order **to preserve its real value tend to get rid of currency by purchasing precious metals,** Land etc.

Statement 2 is incorrect: Exporters benefit during galloping inflation, as the local currency depreciates, making exports less expensive relative to overseas competitors. Exporters also receive hard foreign currency, which appreciates in value as the local currency depreciates. This can be a motivating factor for them to export their products.

122. Solution: (c)

Exp) Option c is the correct answer.

Inflation is the steady rise of prices for goods and services over a period.

Statement 1 is correct: Inflation is one of the most important factors that affect the exchange rate. **Example:** Suppose the exchange rate was exactly 1 in the first year. This means that with Rs 100, one could buy something that was priced at $100 in the US. But suppose the Indian inflation is 20% and the US inflation is zero. Then, in the second year, an Indian would need Rs 120 to buy the same item priced at $100, and the rupee's exchange rate would depreciate to 1.20. Thus, it would **lead to the depreciation of Indian rupee.**

Statement 2 is correct: High inflation may lead to **higher**

borrowing costs for businesses and people needing loans and mortgages. Financial markets protect themselves against rising prices and increase the cost of borrowing **on short and longer-term debt.** If the cost of borrowing money rises, consumers and businesses have less money to spend. As demand falls, economic growth slows down.

Statement 3 is correct: Every rise in prices is affecting your cost of living, leaving a dent in your savings and investments. The reason is, with the rise in inflation, the **amount of saving or investment from income every month may not rise** at the same rate. Therefore, the rise in price puts extra pressure on your savings and investments. Similarly, decline in inflation rate leads to increase in savings rate as **relatively less amount will be spent on consumption.**

Statement 4 is incorrect: Assets with fixed, long-term cash flows tend to perform poorly when inflation is rising, since the purchasing power of those future cash flows falls over time. Conversely, commodities and **assets with adjustable cash flows (e.g., property rental income) tend to perform better with rising inflation.**

123. Solution: (b)

Exp) Option b is the correct answer.

The government has taken several **supply-side measures** in the last year to control inflation. Prices of major essential commodities are monitored by the government on a regular basis and corrective action is taken from time to time.

Statement 1 is correct: Measures to control inflation by the government include **imposition of stock limits** on essential items. Government also maintains **buffer stock and takes measures to prevent hoarding** to check price rise.

Statement 2 is incorrect: To control inflation in essential commodities the government generally **reduces and rationalises the import duties** so that adequate supply can be maintained. Increase in import duties will lead to expansive import. It will further increase the already prevailing inflation.

Statement 3 is correct: Government sometimes ban the future and option (F&O) contracts trading in some agricultural commodities to curb the inflation. This helps in reducing speculation in prices of these agricultural commodities like rice, wheat etc. For example, government banned such trading in 7 agricultural commodities in December 2021. The commodities put under the ban list include wheat, paddy (non-basmati), chana, mustard seeds and their derivatives, soya bean, crude palm oil and moong.

124. Solution: (a)

Exp) Option a is the correct answer.

Housing is one of the **necessities**, along with food and clothing. The Housing Price Index is a quarterly report by the Reserve Bank of India (RBI) based on the all-India price movement from data collected **from a few cities**. The indices are based on official data of property price transactions obtained from the respective state governments' registration authorities.

Statement 1 is correct: Reserve Bank of India releases house price index (HPI) on a **quarterly basis. The** overall increase in composite Housing Price Index indicates a growth in the housing sector which sets off a **virtuous cycle of growth and investment.**

Statement 2 is incorrect: Reserve Bank of India releases its quarterly house price index (HPI) which has **base year as 2010-11.**

Statement 3 is incorrect: Beginning with Mumbai, the Reserve Bank began compiling a house price index (HPI) in 2007 and published a quarterly HPI for **Mumbai.** The coverage has been expanded over the quarters by incorporating 9 more major cities, namely, **Delhi, Chennai, Kolkata, Bengaluru, Lucknow, Ahmedabad, Jaipur Kanpur, and Kochi.** So currently RBI publishes housing data for **ten major cities (and not for all the state capital cities).**

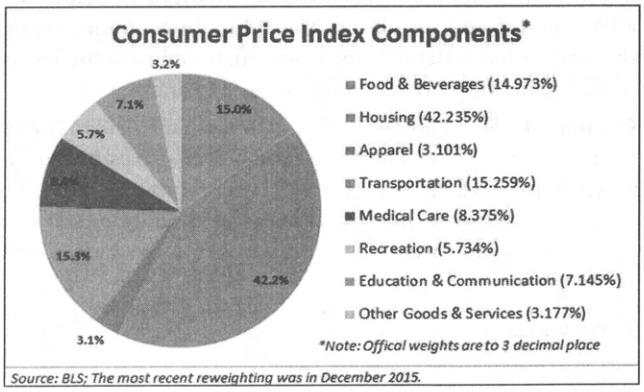
125. Solution: (a)

Exp) Option a is the correct answer.

The WPI is used to measure the change in the overall price of goods before they are sold at retail prices. This index measures inflation based on wholesale prices, or the prices of goods before they reach consumers. The Economic Adviser in the Ministry of Commerce and Industry reports the wholesale price index monthly. The index numbers used to calculate the retail inflation of a nation constitute the CPI, which is also known as the "market basket" and is responsible for tracking the shift in prices at the level of the household. The National Statistics Office (NSO) publishes CPI data every month.

Options 1, 2 and 5 are correct: The major difference between WPI and CPI is that the WPI does not measure the change in the price levels of services, but these are included in the calculation of CPI. The other items like the fuel items, electricity and food items are included in the calculation of both CPI and WPI.

Options 3 and 4 are incorrect: The services are excluded from the calculation of WPI, so Transportation services and Education services are not common items in calculation of both CPI and WPI.



Composition of Wholesale Price Index		
Components	Weight (in %)	Inflation Rate (in %) In May 2022
Manufactured Products (cement, pharma, electronics, etc.)	64.23	10.11
Primary Articles (food, minerals, etc.)	22.62	19.71
Fuel And Power (LPG, petrol, etc.)	13.15	40.62
Total (All Commodities)	100	15.88

126. Solution: (b)

Exp) Option b is the correct answer.

Inflation premium refers to the benefit brought by inflation to the borrowers. Banks generally charge a fixed percentage of interest on lending, which is called as nominal rate of interest. As inflation increases, banks tend to lose because the value of money decreases, but the borrowers pay only a fixed rate of interest. **On the other hand, borrowers benefit due to inflation as the real interest rate gets reduced** (due to higher inflation, but fixed nominal interest rate).

127. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: An inflationary gap measures the difference between the current real GDP and the GDP of an economy operating at full employment. An inflationary gap exists when the demand for goods and services exceeds production due to higher levels of employment, increased trade activities, or elevated government expenditure. The real GDP can exceed the potential GDP, resulting in an inflationary gap. The inflationary gap represents the point in the business cycle when the economy expands as consumers purchase more goods and services. As demand increases but production lags, prices rise to restore market equilibrium.

Option b is incorrect: **Stagflation** is an economic cycle characterized by **slow growth and a high unemployment rate** accompanied by inflation. Economic policymakers find this combination particularly difficult to handle, as attempting to correct one of the factors can exacerbate another.

Option c is incorrect: The GDP (gross domestic product) price deflator, also known as the **GDP deflator** or the implicit price deflator, **measures the changes in prices for all the goods and services produced in an economy.** Using the GDP price deflator helps economists compare the levels of real economic activity from one year to another.

Option d is incorrect: The **Consumer Price Index** measures the overall **change in consumer prices based on a representative basket of goods and services over time.** The CPI is the most widely used measure of inflation, closely followed by policymakers, financial markets, businesses, and consumers.

128. Solution: (b)

Exp) Option b is the correct answer.

A demand-pull inflation is **caused due to an increase in purchasing power** of the consumers over the same level of production. This is a situation where 'too much money chases too little output'.

Statement 1 is correct: A tax rebate increases disposable income of a consumer. It encourages higher consumer spending, which can contribute to increased demand and potential demand-pull inflation (provided that the supply remains constant).

Statement 2 is incorrect: Increasing taxes on specific goods, like petroleum and diesel, can lead to higher prices for these commodities. **This may affect production costs and consumer prices, which leads to cost-push inflation.** Hence, the given statement is not a direct driver of demand-pull inflation.

Statement 3 is correct: Massive infrastructure development programs involve **substantial government spending, employment generation, and income generation.** This boosts overall demand in the economy. This increased demand can contribute to demand-pull inflation.

Statement 4 is incorrect: Increasing the repo rate is a monetary policy measure aimed at **curbing borrowing and spending by making it more expensive**. This is a contractionary policy and is intended to counter demand-pull inflation. Hence, the given option is incorrect.

129. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correctly matched: Skewflation refers to uneven or disproportionate inflation across different sectors or categories. The example correctly illustrates this concept by noting a substantial increase in the prices of certain food items (vegetables, cereals, and pulses) compared to pharmaceutical products.

Pair 2 is incorrectly matched: Stagflation is an economic phenomenon marked by a combination of stagnant or slow economic growth, **increase in unemployment rates**, and high inflation. It represents a departure from the traditional economic relationship where inflation and unemployment are inversely related. In the given case, 'decrease in unemployment' is mentioned, which is not a characteristic of stagflation.

Pair 3 is correctly matched: The base effect is a statistical phenomenon that occurs when the comparison of current prices or inflation rates is made with a lower base period. It can lead to misleading interpretations of the inflation rate. The given example highlights a situation where the base effect influences the perception of inflation by comparing current prices with a lower base.

130. Solution: (a)

Exp) Option a is the correct answer.

Deflation and disinflation refer to two very different conditions with respect to the direction and change of general price levels in the economy. Deflation refers to falling prices or in other words, the opposite of inflation (rising prices).

Disinflation does not refer to the direction of prices (as inflation and deflation do). It refers to the rate of change. It is a slowdown in the rate of inflation. For example, deflation would be an inflation rate of -1 percent, while disinflation would be a change in the inflation rate from 3 percent one year to 2 percent in the next.

Statement 1 is correct: Deflation means prices are falling and the inflation rate is in the negative, while disinflation means a slowdown in the rate of inflation while still remaining in the positive.

Disinflation occurs more commonly than deflation.

Statement 2 is incorrect: During times of **deflation,** since the money supply is tightened, there is an **increase in the value of money**, which increases the real value of debt. During disinflation the price of goods and services increase over time, effectively decreasing the number of goods and services one can buy with a rupee in the future as opposed to a rupee today. This effectively decreases the time value of money. **Since inflation is positive during disinflation, the value of money decreases.**

Statement 3 is incorrect: During disinflation Stocks can, and often do, perform well when the bonds are likely to deliver above-average returns in a disinflationary scenario since it makes central banks less likely to raise interest rates and more likely to reduce them. Whereas deflation is an extremely destructive condition for the economy and financial markets. During periods of deflation, stock prices are likely to perform poorly.

131. Solution: (a)

Exp) Option a is the correct answer.

The **Fisher Effect** is an economic theory created by economist Irving Fisher that **describes the relationship between inflation and both real and nominal interest rates.** The Fisher Effect states that the **real interest rate equals the nominal interest rate minus the expected inflation rate.** Therefore, **real interest rates fall as inflation increases,** unless nominal rates increase at the same rate as inflation.

The Fisher Effect can be seen each time you go to the bank; **the interest rate an investor has on a savings account is really the nominal interest rate.** For example, if the nominal interest rate on a savings account is 4% and the expected rate of inflation is 3%, then the money in the savings account is really growing at 1%. **The smaller the real interest rate, the longer it will take for savings deposits to grow substantially when observed from a purchasing power perspective.**

132. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct: NHB RESIDEX is India's first-ever official residential price index. NHB Residex from the **National Housing Bank, designed by a technical advisory committee comprising Government representatives, lenders and property market players,** is a set of benchmarks that aims to track housing price indicators across Indian cities.

Statement 2 is incorrect: NHB RESIDEX, India's first official housing price index, **was an initiative of the National Housing Bank (NHB), undertaken at the behest of the Government of India, Ministry of Finance (not the Ministry of Housing and Urban Affairs).** The index was formulated under the guidance of a Technical Advisory Committee (TAC) comprising of stakeholders from the housing market.

Statement 3 is correct: NHB RESIDEX will help recognize current trends in micro as well as macro markets, and **predict future behaviour of the housing market.** It will be of immediate use to banks, HFCs, developers, and home-buyers.

133. Solution: (d)

Exp) Option d is the correct answer.

Inflation in an economy is directly related to **the increase or decrease in money supply.** An increase in the overall supply of money leads to inflationary conditions.

Statement a is incorrect: An increase in taxes **typically reduces consumer spending and investment, contributing to a deflationary effect.** However, there are scenarios where it might lead to **cost-push inflation.** If the taxes imposed are on production inputs or essential goods and services, businesses may pass on the increased costs to consumers in the form of higher prices. This can contribute to cost-push inflation, where rising production costs lead to an increase in overall price levels. **But an increase in taxes does not lead to increase in an overall money supply in the economy.**

Statement b is incorrect: A farm loan waiver scheme does not directly contribute to inflation. **It does not inject new money into an economy.** Instead of farmers, now the Government assumes the responsibility of repayment of debt to the bank. The immediate impact on the money supply is limited compared to other measures.

Statement c is incorrect: Obtaining loans from international financial institutions does not immediately increase the money supply in the domestic economy. The impact depends on how these funds are managed and utilized domestically. So, this does not directly contribute to inflation in an economy.

Statement d is correct: Printing new currency, often referred to as monetizing the debt, involves the central bank effectively printing money to fund government expenditures. **This direct injection of money into the economy can lead to an increase in the money supply,** directly contributing to inflationary pressures.

134. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correct. Wage Rate Index Numbers depict movement of relative change experienced in the wage rates over a period of time. It is **released by Labour Bureau.** It considers the base year as 2016.

Pair 2 is incorrect. House Price Index (HPI) is released by the **Reserve Bank and not Ministry of Housing and Urban**

Affairs. Its Base year is **2010-2011.** It is released on a quarterly basis based on transaction-level data received from housing registration authorities in ten major cities. The cities are Ahmedabad, Bengaluru, Chennai, Delhi, Jaipur, Kanpur, Kochi, Kolkata, Lucknow, and Mumbai.

Pair 3 is correct. CPI Combined refers to the Consumer Price Index for both rural and urban areas in India. The base year is 2011-12. It is published monthly by the National Statistical Office (NSO).

135. Solution: (d)

Exp) Option d is the correct answer.

The term stagflation combines the words "stagnant" and "inflation." **Stagflation refers to an economy characterized by high inflation, low economic growth and high unemployment.**

Option 1 is correct. Stagflation is characterized by high unemployment rates because it typically occurs during periods of economic stagnation or recession. During stagflation, businesses may cut back on hiring or even lay off workers due to weak demand for goods and services. This leads to elevated levels of unemployment in the economy.

Option 2 is correct. Stagflation involves high inflation, which erodes the purchasing power of money. When prices rise at a faster rate than incomes, consumers find that their money buys fewer goods and services over time. As a result, the real value of their wages and savings decreases, leading to a decrease in purchasing power.

Option 3 is correct. With a stagnant economy and potentially high unemployment, overall income levels and economic activity might decline. **This can lead to a decrease in tax revenue for the government.**

Option 4 is correct. In an environment of high inflation, investors might seek assets that offer protection against its erosive effects. Bonds, especially those with fixed interest rates that are higher than the inflation rate, can become **more attractive investments during stagflation.**

Option 5 is correct. Foreign investors might be wary of investing in an economy experiencing both high inflation and a stagnant economy. This can lead to a **withdrawal of foreign investment from the capital market,** potentially weakening the local currency and further impacting the economy.

136. Solution: (a)

Exp) Option a is the correct answer.

The cost-push inflation occurs when there is an increase in the cost of production. For example, the cost of raw materials or inventory used in production might increase, leading to higher costs.

Option 1 is correct. Depreciation of currency leads to increased cost of imported raw materials. As the cost of raw material will increase, it will lead to cost push inflation.

Option 2 is correct. This statement suggests a decrease in industrial output which may be due to higher cost of input factors (wages, raw-materials cost, etc.) will lead to cost-push inflation as there is a fall in the aggregate supply of goods.

Option 3 is incorrect. This statement can lead to demand-pull inflation rather than cost-push inflation. When the government increases spending, it typically increases demand for goods and services, which can push prices up due to increased demand rather than increased production costs.

Option 4 is incorrect. This describes demand-pull inflation, not cost-push inflation. Decreasing interest rates typically stimulate borrowing and spending, leading to increased demand for goods and services and pushing prices up due to increased demand.

Option 5 is incorrect. Decrease in personal income tax rate describes demand-pull inflation, not cost-push inflation. Decreasing personal income tax rates typically puts more money in consumers' hands, leading to increased spending and demand for goods and services, thereby pushing prices up.

137. Solution: (a)

Exp) Option a is the correct answer.

Statement I is correct. Historically, **inflation in advanced economies has generally been lower than in Emerging economies.** Factors such as established **monetary policies, economic stability, well-developed and efficient markets** that balance supply and demand conditions, and **stable currencies** contribute to the effective management of inflation. On the other hand, the emerging markets and developing economies generally face problems related to the lack of infrastructure development, lack of demand supply balance and market stability, lack of stability in their domestic currencies. This generally leads to uncertain market conditions and inflation in the economy of developing countries and emerging markets.

Statement II is correct. Advanced economies benefit from decades of financial development, **robust institutional frameworks,** central banks with **greater independence and credibility** and **well-developed and efficient markets** that balance supply and demand conditions. These factors contribute to their ability to **control inflation effectively.**

Statement II is the correct explanation for statement I. The stability of monetary systems and the strength of **financial institutions in advanced economies** enable these countries to implement policies that pre-empt **inflationary pressures.** Emerging economies often lack such capacity due to weaker institutions, fiscal constraints, and external dependencies.

138. Solution: (c)

Exp) Option c is the correct answer.

The base effect is a term used in economics to describe how the choice of a reference point, such as a base year. It can significantly affect the outcome of a comparison between different sets of data, particularly in the context of inflation rates.

1) It occurs when comparing economic data points over time, such as price levels, inflation rates, or other financial indices.

2) **The base effect comes into play when the inflation rate of a previous period (base period) was unusually high or low. If the base period had a low inflation rate, even a small increase in the current period's price index could result in a high inflation rate when compared year-on-year.** Conversely, if the base period had a high inflation rate, the current period might show a lower inflation rate even if prices have increased, simply the comparison is against a higher starting point.
3) **This effect is crucial for accurate economic analysis because it can lead to misinterpretation of data.** Analysts and policymakers must account for the base effect to avoid drawing incorrect conclusions about the economic conditions.

139. Solution: (a)

Exp) Option a is the correct answer.

The **Producer Price Index (PPI)** serves as a vital economic indicator by quantifying **the average fluctuation in prices that domestic producers receive for their goods and services over time**. This index plays a crucial role in assessing inflationary pressures within the production sector and provides valuable insights into the cost dynamics faced by producers. By tracking price variations at the producer level, the PPI aids in analysing trends, evaluating economic competitiveness, and informing policy decisions related to pricing, production, and market stability.

Statement 1 is correct: The PPI aims to measure the pure price **changes at the producer level, excluding indirect taxes such as sales tax or value-added tax (VAT).** It reflects the price received by producers for their goods, excluding taxes and subsidies but including factors like distribution costs.

Statement 2 is incorrect: The Producer Price Index (PPI) measures the average change in prices received by domestic producers **for both goods and services** they provide. Unlike the Consumer Price Index (CPI), which focuses on goods and services consumed by households, the PPI encompasses a broader range of economic activities, including services provided by producers.

Statement 3 is incorrect: India has been **using the Wholesale Price Index (WPI) rather than the Producer Price Index (PPI)** as a deflator for nominal macroeconomic aggregates like GDP and Index of Industrial Production (IIP). In 2014, a working group was established to determine the methodology and data requirements for advancing towards the Producer Price Index (PPI). However, despite the group's report being issued in 2017, no decision was made regarding its implementation or adoption. The **National Statistical Commission (NSC)** is examining the working group report on the roadmap for introducing the Producer Price Index (PPI) in India to replace the Wholesale Price Index (WPI)

140. Solution: (d)

Exp) Option d is the correct answer.

Inflation refers to the sustained increase in the general price level of goods and services over time. It erodes purchasing power, reducing the value for money. While moderate inflation can stimulate economic growth, high inflation destabilizes economies, leading to uncertainty, reduced investment, and diminished consumer welfare.

Option 1 is correct: Inflation erodes the value of money over time. When borrowers take out loans, they agree to pay back the borrowed amount with interest. If inflation occurs, the value of the currency decreases, meaning the real value of the money they repay is less than the value of the money when they borrowed it. **This effectively reduces the real cost of borrowing, benefiting borrowers.**

Option 2 is correct: Inflation typically leads to an increase in bond yields.

As inflation increases, the future purchasing power of fixed interest payments declines.

Investors demand higher yields to compensate for the expected loss in real value, leading to an increase in bond yields.

Option 3 is correct: Inflation can increase market volatility and risk premium; equities are often seen as a potential hedge against inflation because companies' earnings may increase at a similar rate as inflation.

Option 4 is correct: Inflation can lead to currency devaluation, which makes imports more expensive as more of the domestic currency is needed to buy the same amount of foreign goods.

This can reduce the demand for imports and increase the production costs for companies that rely on imported inputs.

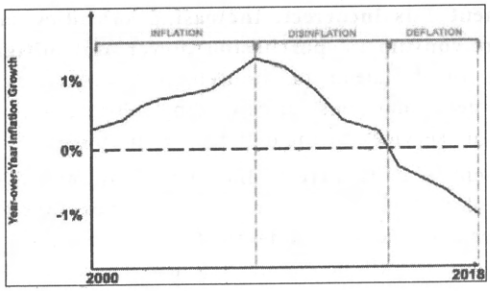
Option 5 is correct: Inflation leads to a general increase in the prices of goods and services over time, which can erode the purchasing power of consumers.

1) As prices rise, a fixed amount of money buys less, meaning consumers can afford fewer goods and services with the same income.
2) This loss of purchasing power can force households, especially those with lower and middle incomes, to cut back on discretionary spending

141. Solution: (c)

Exp) Option c is the correct answer.

Pair 1 is incorrect. Disinflation is what happens when the inflation rate falls but remains positive. In disinflation, prices continue to increase but at a slower rate.



Pair 2 is correct. Reflation refers to a fiscal or monetary policy (or policies) aimed towards **stimulating the economy (i.e., increasing the level of economic activity) and combating deflation.** It is used to restore long-run inflation, reduce the time span of an economic contraction, or reignite an expansionary business cycle.

Pair 3 is correct. Skew-flation means the skewness of inflation among different sectors of the economy. It means that some sectors are facing huge inflation, some none and some deflation. **In skew-flation there is a price rise of one or a small group of commodities over a sustained period.**

Pair 4 is correct. Hyperinflation is 'large and accelerating' inflation in which the annual rates may be in millions

or even trillions. In such inflation not only is the range of increase very large, but the increase takes place in a very short span of time, prices shoot up overnight.

Important Tips

Deflation occurs when the inflation rate falls below zero i.e. it is negative, and prices generally decline throughout an economy.

142. Solution: (a)

Exp) Option a is the correct answer.

Deflation is a situation where the general price level of goods and services in an economy falls over time. Deflation is negative inflation. When it occurs, the value of currency grows over time. Thus, more goods and services can be purchased for the same amount of money.

Statement 1 is correct. Increasing the rate of interest on small saving schemes would likely not be adopted to fight deflation, as it would discourage borrowing and spending, further dampening economic activity. Central banks typically lower interest rates to encourage borrowing and investment during deflationary periods.

Statement 2 is incorrect. Reducing CRR (Cash Reserve Ratio) is typically adopted to inject liquidity into the banking system, making funds more readily available for lending and stimulating economic activity. Therefore, reducing CRR could be an effective tool in combating deflation.

Statement 3 is correct. Increasing income tax rates would likely not be adopted during deflation, as it would reduce disposable income and consumer spending, exacerbating the deflationary pressures. Instead, governments may consider tax cuts or incentives to boost spending and stimulate economic growth.

Statement 4 is incorrect. Increasing subsidies can help support consumers' purchasing power and mitigate the impact of deflation on household budgets. Therefore, governments may consider expanding subsidies on essential goods and services during deflationary periods.

Statement 5 is incorrect. Increasing Minimum Support Prices (MSPs) to farmers can help **support agricultural incomes and boost rural demand,** which can have positive effects on overall economic activity. Therefore, offering higher MSPs could be considered as a measure to combat deflation.

143. Solution: (c)

Exp) Option c is the correct answer.

The inflation premium refers to the additional return or compensation that investors demand for holding investments susceptible to inflation risk. It is essentially the extra yield investors require to offset the anticipated loss in purchasing power due to inflation. This premium is incorporated into interest rates, bond yields, or other investment returns to protect investors from the negative effects of inflation on the real value of their investments. The higher the expected inflation, the greater the inflation premium investors typically demand.

Statement-I is correct: The **inflation premium is indeed a compensation mechanism for investors.** It is designed to offset the decrease in the purchasing power of money caused by inflation. Inflation reduces the real value of money over time, meaning that the same amount of money can buy fewer goods and services in the future. The inflation premium in interest rates is meant to **counteract this loss in purchasing power.**

Statement-II is incorrect: Investors **seek a higher return on their investments as a response to the diminishing purchasing power of their money due to inflation not due to deflation**. This increased return is necessary to preserve the real value of their investments in an inflationary environment, ensuring that their assets maintain their purchasing power over time.

Both statements are accurate and complementary. Statement-I defines the purpose of the inflation premium, which is to compensate for the expected decrease in purchasing power due to inflation. When inflation occurs, the value of money declines. This means that investors need a higher return on their investments to compensate for the loss in real purchasing power caused by inflation. Therefore, the inflation premium is demanded by investors to ensure that their investments maintain their real value over time.

144. Solution: (d)

Exp) Option d is the correct answer.

'Greedflation' refers to an economic situation in which the rate of inflation has been driven by corporate 'greed'. It essentially implies that corporate greed contributes to higher prices, rather than just the standard economic factors influencing inflation.

145. Solution: (c)

Exp) Option c is the correct answer

The **Producer Price Index (PPI)** is an important economic indicator that measures changes in the prices of goods and services at the wholesale or production level, before they reach consumers.

Statement I is correct: India is planning to move from the Wholesale Price Index to Producer Price Index (PPI) in

future as most of the G20 countries follow this practice. Most of the G20 countries including China follow this practice. PPI is considered conceptually more consistent with the System of National Accounts for use as a deflator.

Statement II is correct: PPI excludes indirect taxes, trade margins, and transport costs to provide a clearer picture of inflation at the **production level**. This helps in tracking **price changes at primary and intermediate production stages**, making it a **better indicator of future consumer prices.**

While WPI captures the price changes at the point of bulk transactions and may include some taxes levied and distribution costs up to the stage of wholesale transactions.

Statement III is incorrect: PPI includes the price of domestically produced products sold in the home market and prices of exported products. The WPI differs from the PPI because it includes both domestically produced products sold in the home market (included in the PPI) **and imported products (excluded from the PPI)**, while excluding prices of exported products. **Thus the price of imported goods are not included while calculating PPI.**

146. Solution: (a)

Exp) Option a is the correct answer.

Bracket Creep refers to the movement of taxpayers into **higher tax brackets** due to **inflation**, increasing their **tax burden** without a corresponding rise in **real income**. This occurs when **progressive tax systems** do not adjust **tax brackets** for inflation, leading to an **unintended increase** in **effective taxation.**

Important Tips

Effects of Bracket Creep:

1. **Increased Tax Burden**: Individuals end up paying **higher taxes** despite no real increase in **purchasing power.**
2. **Reduced Disposable Income**: Higher taxes may reduce **overall spending capacity.**
3. **Fiscal Drag**: The economy may experience **slower growth** due to reduced **consumer spending.**

147. Solution: (a)

Exp) option a is the correct answer.

Option a is correct. Biflation (also known as **mixed inflation**) is an economic phenomenon where **inflation and deflation occur simultaneously** in different parts of the economy.

1. **Inflation** is observed in essential commodities like **food, fuel, healthcare, and raw materials**, where demand remains strong.
2. **Deflation** is seen in **assets like real estate, luxury goods, and durable items**, where demand weakens due to economic downturns or excessive supply.

This situation typically arises **during financial crises or periods of economic instability**, when purchasing power declines in some sectors while shortages and supply-chain disruptions drive up prices in others. For example, during the **2008 financial crisis**, prices of **food and fuel** rose due to global supply chain constraints, while **real estate prices crashed** due to declining demand and credit crunch.

Option b is incorrect. A period of hyperinflation followed by rapid deflation is known as Boom-and-Bust Cycle. In this cycle an **inflationary boom followed by a crash**, often seen in **asset bubbles**. For **example,** Germany in the **1920s** saw **hyperinflation**, where prices skyrocketed due to excessive money printing. **Later, a deflationary phase** occurred when money supply was controlled, causing **a sharp price fall.**

Option c is incorrect. A situation where both unemployment and inflation rates are high is known as **Stagflation.**

1. **Stagflation** occurs when an economy experiences **slow growth (stagnation)** along with **high inflation.**
2. **For example, during the 1970s Oil Crisis,** Oil prices surged, increasing **inflation**, while economies suffered **low growth and high unemployment.**

Option d is incorrect. A scenario where inflation is concentrated in specific sectors while others remain stable is known as Skewflation. Unlike general inflation, where prices rise across the economy, skewflation affects only specific industries or goods, leading to uneven price movements.

148. Solution: (a)

Exp) Option a is the correct answer.

Statement-I is correct: The **core inflation is generally more stable than headline inflation** as core inflation excludes the volatile commodities and does not include price changes in fuel and food items. Prices of food items and fuel undergo constant volatility due to domestic as well as foreign factors making headline inflation unstable.

Statement-II is correct and is the correct explanation of Statement-I: The headline inflation refers to the change in the value of all goods in the basket. It is the raw (overall) inflation figure on the basis of the Consumer Price Index (CPI). The **headline inflation figure is not adjusted for seasonality or for the often-volatile elements.** In India, the Consumer Price Index Combined (CPI-C) represents headline inflation.

- Core inflation refers to the change in value of goods and services excluding those commodities that have extremely volatile price movements. For example: food items, energy products etc.
- **Core inflation = Headline inflation – inflation of volatile products like food & fuel**

149. Solution: (a)

Exp) Option a is the correct answer.

The **Pigou Effect**, named after **Arthur Cecil Pigou**, describes the **wealth effect of deflation**. As prices fall, the **real value of money increases**, making individuals feel **wealthier**, which in turn **boosts consumption and employment**. This concept

challenges **Keynesian liquidity trap theory**, suggesting that deflation can **stimulate demand and restore economic equilibrium.**

150. Solution: (c)

Exp) Option c is the correct answer.

A deflationary gap occurs when the actual GDP (real GDP) is lower than the economy's potential GDP (full-employment output). This means that the economy is operating below its full capacity, leading to underutilized resources, unemployment, and downward pressure on prices

151. Solution: (b)

Exp) Option b is the correct answer.

The **Wholesale Price Index (WPI)** is an important economic indicator that measures **inflation at the wholesale level** by tracking changes in the prices of goods traded in bulk between businesses. It provides insight into **price movements before they reach the retail market**, allowing the government to take timely action to control inflation.

Statement 1 is incorrect: WPI is **published by the Office of Economic Adviser (OEA), Ministry of Commerce and Industry**, not the National Statistical Office (NSO).

Statement 2 is correct: Wholesale Price Index (WPI) only tracks the **price movements of goods sold in bulk at the wholesale level and does not include services in its calculation**, focusing solely on the price changes of goods traded between businesses

Statement 3 is correct: Presently in WPI, **prices used for compilation do not include indirect taxes in order to remove impact of fiscal policy**. This is in line with international practices and makes it conceptually closer to the Producer Price Index (PPI). Thus, **the effective prices for Manufactured Products used for compilation of WPI do not include indirect taxes.**

152. Solution: (b)

Exp) Option b is the correct answer.

Demand pull inflation occurs when the demand for goods and services exceed the supply, causing the prices to rise.

Option 1 is correct. When the government increases infrastructure and welfare spending, it injects more money into the economy, raising overall demand, leading to demand pull inflation.

Option 2 is incorrect. Increasing interest rates reduces borrowing and spending, which curbs demand rather than increasing it. It is used as a measure by the Central Bank to control inflation.

Option 3 is correct. Higher wages and job creation increase consumer spending, pushing up demand for goods and services. Hence it leads to demand-pull inflation.

Option 4 is incorrect. Higher taxes on businesses reduce investment and profits. It is not a factor which contributes to demand-driven inflation.

153. Solution: (c)

Exp) option c is the correct answer.

Statement 1 is incorrect: Consumer Food Price Index (CFPI) is a measure of change in retail prices of food products consumed by a defined population group in a given area with reference to a base year. The **Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation** (MOSPI) started **releasing Consumer Food Price Indices (CFPI)** for three categories -rural, urban and combined - separately on an all India basis with effect from May, 2014.

Statement 2 is correct: The Consumer Food Price Index (CFPI) is also calculated on a monthly basis and methodology remains the same as CPI. **The base year presently used is 2012. The CSO revised the Base Year of the CPI and CFPI from 2010=100 to 2012=100 with effect from the release of indices for the month of January 2015.**

Statement 3 is correct: Cereals and related products form a **major component** of the **CFPI basket**. They occupy a **significant weight in the index, close to one-third** of the total weight assigned to food items. This is because **staple foods like rice, wheat, and other cereals are a primary part of the Indian diet**. Any **price fluctuation in cereals** significantly impacts food inflation and, subsequently, overall inflation in the country.

154. Solution: (d)

Exp) Option d is the correct answer.

The Reserve Bank of India (RBI) plays a crucial role in maintaining price stability and ensuring economic growth through its monetary policy framework. Under the **Reserve Bank of India Act, 1934**, the central bank is mandated to take necessary measures to control inflation. Additionally, **inflation targeting** is a key aspect of monetary policy in India

Statement I is incorrect. As per Section 45ZA of the RBI Act, the **Central Government, in consultation with the Reserve Bank of India (RBI), sets the inflation target** based on the Consumer Price Index (CPI) every five years and officially notifies it in the Official Gazette.

Accordingly, on August 5, 2016, the Central Government notified a 4% CPI inflation target for the period August 5, 2016, to March 31, 2021, with an upper tolerance limit of 6% and a lower tolerance limit of 2%. On March 31, 2021, the government retained the same inflation target and tolerance band for the subsequent five-year period (April 1, 2021 – March 31, 2026).

Statement II is correct. The **RBI Act, 1934** (amended in 2016), explicitly states that the **primary objective of monetary policy** is to maintain **price stability while keeping in mind the objective of growth.** Section 45ZB of the RBI Act provides for the constitution of a six-member Monetary Policy Committee (MPC) to determine the policy rate required to achieve the inflation target.

155. Solution: (a)

Exp) Option a is the correct answer

Option a is correct: Deflation occurs when **prices of goods and services keep falling** over time. The inflation rate is

negative. Deflation is falling prices over two consecutive quarters. In other terms, it is negative inflation. Thus if CPI combined is below 0 for 7 months i.e more than 2 quarters then it is deflation.

Option b is incorrect: Disinflation is the decrease in the rate of inflation but the prices are still rising. For example, if the inflation rate is 5% in March, but decreases to 4% in April, the economy is said to be experiencing disinflation in the first quarter of the year.

Option c is incorrect: Creeping Inflation: A gradual increase in prices, usually less than 3% annually, which is considered manageable and may positively stimulate demand and investment.

Option d is incorrect: Skewflation is when the prices of certain items increase in much higher proportion than the prices of other items.

156. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct: When inflation occurs, the real value of money decreases, meaning that the **amount of money borrowers owe to the bank becomes worth less in real terms.** If wages and prices rise due to inflation, borrowers may find it easier to repay their loans since their future payments are effectively reduced in terms of purchasing power.

Statement 2 is correct: As inflation raises the prices of goods and services, it can push wages and profits higher, even though the purchasing power of the income may be eroded. In such cases, individuals and businesses may move into higher tax brackets, resulting in greater tax revenues for the government. Additionally, **inflation often leads to an increase in the value of transactions, which can boost sales tax revenues as well.**

Statement 3 is incorrect: Inflation is generally **harmful to lenders and savers** because the real value of money decreases over time. If interest rates do not rise in proportion to inflation, the purchasing power of saved or loaned money declines.

157. Solution: (c)

Exp) Option c is the correct answer.

Option 1 is correct: When inflation is high, the real value of the money lenders receive decreases. When **lenders provide loans** at a **fixed interest rate, high inflation erodes the real value of the money they receive as repayment**.

For example, if inflation rises to 8% but the loan interest rate is fixed at 5%, the lender effectively incurs a loss in purchasing power. This makes **lenders negatively impacted**, as their real returns diminish.

Option 2 is correct: Fixed-income securities like bonds provide interest payments at predetermined rates. During periods of high inflation, the purchasing power of these fixed returns decreases, leading to a significant loss for bondholders. For instance, a bond with a 3% annual return becomes less attractive if inflation rises to 7%, causing the real return to be negative. Hence, **holders of fixed-income securities like bonds are negatively impacted by inflation.**

Option 3 is correct: Inflation often results in nominal wage increases, even if real wages remain stagnant. In a progressive taxation system, this can push individuals into higher tax brackets, increasing their tax liabilities—a phenomenon known as "**bracket creep**." If tax brackets are not adjusted for inflation, **individuals** end up **paying more taxes without experiencing real income growth.** Thus, they are **negatively impacted by inflation.**

Option 4 is incorrect: Borrowers benefit from inflation as they repay loans with devalued money, because the real value of their debt decreases over time.

For example, if a borrower took a loan of ₹10,00,000 at a fixed rate, high inflation reduces the real value of the ₹10,00,000 repayment. This makes debt servicing easier and more affordable over time. Therefore, borrowers are positively impacted by high inflation.

158. Solution: (b)

Exp) Option b is the correct answer.

The **Consumer Price Index** (CPI) is a key economic indicator used to measure changes in the price level of a basket of goods and services consumed by households. The current base year for CPI calculation is 2012.

Statement 1 is incorrect: The **CPI** is released on a monthly basis **by the National Statistical Office (NSO),** which functions under the **Ministry of Statistics and Programme Implementation** (MoSPI). While the Department of Consumer Affairs (under the Ministry of Consumer Affairs, Food and Public Distribution) deals with consumer protection and pricing issues, it is not responsible for releasing the CPI.

Statement 2 is correct: The **Reserve Bank of India (RBI) uses the Consumer Price Index as the sole measure of inflation under its monetary policy framework**. This is part of the inflation-targeting regime, where the RBI aims to maintain a specific inflation rate within a target range, typically around 4% with a tolerance band of +/- 2%. CPI (Combined) includes data from both rural and urban areas, providing a comprehensive view of consumer price changes across the country.

Statement 3 is correct: The **'Food and Beverages'** category has the **highest weightage in the CPI (Combined)** at approximately **45.86%**. Other categories include Pan, tobacco and intoxicants (2.38%) Housing (10.07%), Fuel and Light (6.84%), Clothing and Footwear (6.53%), and Miscellaneous (28.32%) etc.

159. Solution: (b)

Exp) Option b is the correct answer.

Inflation is the general increase in prices for goods and services over time. It is primarily determined by the supply of and demand for the goods and services. If demand exceeds supply, prices rise, while if supply surpasses demand, prices fall.

Bottleneck Inflation takes place when the **supply falls drastically and the demand remains at the same level.** Such situations arise due to supply-side accidents, hazards or mismanagement which is also known as **'structural inflation'.**

Knowledge Base: Imported inflation refers to the increase in domestic prices of goods and services caused by the **rising cost of imported products or inputs.**

160. Solution: (d)

Exp) Option d is the correct answer.

Row 1 is incorrect: Stagflation (stagnation plus inflation) refers to the situation where an economy grows very slowly or at near zero rate (stagnant) and prices keep rising. It presents a unique challenge for central banks because the usual tools to combat inflation (raising interest rates) can further hurt growth, and the tools to stimulate growth (lowering interest rates or increasing money supply) can worsen inflation. Hence rather than changing the inflation rate, the stagflation has to be addressed from the supply side of the economy by boosting production. **The RBI's response to stagflation involves a mix of tightening monetary policy (repo rate hikes) to control inflation while also addressing supply-side constraints to support growth.**

Row 2 is incorrect: Reflation is a monetary or fiscal policy that aims to stimulate the economy and combat deflation. **It can also refer to the period of economic expansion that follows a recession.** During this phase, Reserve Bank of India (RBI) **increase the money supply by decreasing repo rate to facilitate the growth in an economy**

Row 3 is incorrect: Disinflation is an economic phenomenon characterized by a decrease in the rate of inflation, implying a slowdown in the increase of general price levels over a certain period, yet maintaining a positive inflation rate. If **RBI significantly increases the repo rate and starts selling government securities in a situation of disinflation then it may further boost the disinflation as the money supply in the market and the demand in the market may further decline, and the economy may fall in the trap of deflation.** In case of disinflation RBI generally keeps the repo rate unchanged in the short term till the targets of inflation as per the Monetary Policy are achieved. If the inflation further falls below the desired target of 4 percent then RBI may decrease the repo rate to boost the demand in the economy.

161. Solution: (b)

Exp) Option b is the correct answer.

The Wholesale Price Index (WPI) tracks changes in the average prices of goods at the wholesale level, focusing on commodities traded in bulk between businesses. Released by the Economic Advisor in the Ministry of Commerce and Industry, WPI monitors price movements reflecting supply and demand in industries like manufacturing, construction, and trade.

Statement 1 is correct: WPI provides estimates of inflation at the wholesale transaction level for the economy overall.

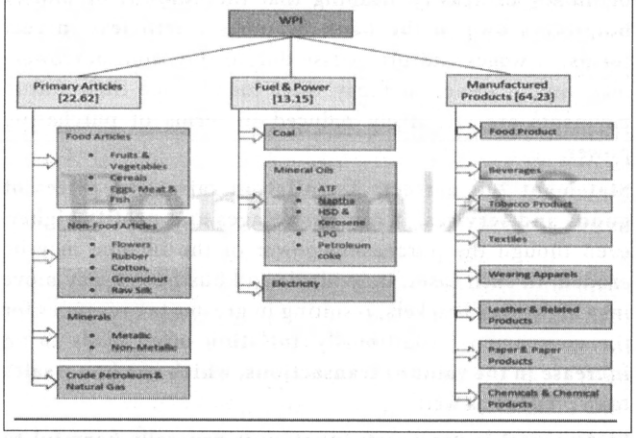
In April 2017, the government revised **the base year for WPI from 2004-05 to 2011-12.**

Statement 2 is incorrect: Unlike the Producer Price Index (PPI), which excludes imported goods, **the Wholesale Price Index (WPI) includes both domestic and imported goods in its basket.**

Statement 3 is correct: WPI does not account for the impact of taxes, such as GST, on the price of goods in order to remove the impact of fiscal policy. This also brings new WPI series closer to the Producer Price Index and is in consonance with the global practices.

Important Tips

The WPI comprises of three major groups:(i) Primary Articles (eg- Food Articles, Vegetables, Milk, Minerals etc), (ii)Fuel and Power (eg- LPG, Petrol etc),(iii)Manufactured Products (eg- manufacture of food products, sugar, manufacture of textiles etc). Among this, **The weightage of manufactured products(64.23%) in the WPI basket is higher than that of primary** articles(22.62%) and Fuel and Power (13.15%).



162. Solution: (a)

Exp) Option a is the correct answer.

Cost-push inflation occurs when prices of production processes or inputs increase (wages, rent, interest, cost of doing business, logistics, etc.). For example, when the minimum wages increase or the interest rate for loans increases, the price automatically rises. Cost-push inflation occurs from the reduced ability of producers to produce goods at a certain price point.

To control the cost-push inflation, aggregate supply has to be augmented and the cost of production has to be brought down. The government takes various measures like providing subsidies, providing the maximum price at which a product can be sold, improving supply-side factors such as dismantling APMCs, fertilizer subsidy reforms etc.

Option 1 is incorrect: Provision of subsidies helps in the stabilization of prices for consumers. Subsidies help **in lowering the cost of production** which helps in controlling the prices of final goods and services in the market. **This is the step generally taken by the Government to reduce cost-push inflation.**

Option 3 is incorrect: Promoting the creation of a unified national market for agricultural commodities is a likely step to be taken by the government to curb the cost-pull inflation. For example the e-NAM is a pan-India electronic trading portal that networks the existing **Agricultural Produce Market Committees (APMCs)** mandis to create a unified national market for agricultural commodities and ensure better remuneration for farmers.It can improve the supply side bottlenecks in the supply chain of agricultural commodities and can ensure the mechanism to mitigate the uncertainties in supply market and prices.

Option 2 is correct: An **increase in personal income tax** leads to a decrease in the disposable income of the households. The decrease in disposable income leads to a decline in the purchasing power of consumers **resulting in a decline in aggregate demand.** However, this is a measure to reduce the aggregate demand and thereby control demand-pull inflation. It is **not a measure to control the supply-side cost and hence do not help in controlling the cost-push inflation.**

163. Solution: (c)

Exp) Option c is the correct answer.

An **inflation spiral**, also referred to as a **wage-price spiral**, embodies a **self-reinforcing cycle** within the economy where **rising inflation catalyses increases in wages, which in turn leads to further price hikes, thereby perpetuating the cycle.** Due to inflation the prices escalate, thereby **workers** in order to preserve their purchasing power, **demand higher wages.** When these wage increments are met, it **elevates labour costs for businesses.** To safeguard profit margins, businesses then transfer these augmented costs to consumers through increased prices for goods and services, which leads to **cost-push inflation**. Simultaneously, as wages surge, **consumers** find themselves with **greater disposable income**, fostering **heightened demand for goods and services**. This surge in demand contributes to **demand-pull inflation**, further intensifying the inflationary pressures. This interplay between rising wages and prices perpetuates this cycle.

164. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is incorrect: The **GDP deflator**, also known as the **implicit price deflator**, measures the level of prices of all new, domestically produced, final goods and services in an economy.

It is calculated by dividing Nominal GDP by Real GDP and multiplying by 100.

It is **not released by the Department of Financial Services, which is under the Ministry of Finance.** Instead, it is published by the **Ministry of Statistics and Programme Implementation (MoSPI)**, which is responsible for providing official statistics related to national accounts and other economic indicators.

Pair 2 is correct: The **Wholesale Price Index** (WPI) tracks the changes in the price of goods (not services) at the wholesale level, before they reach the retail market.

The WPI covers three broad categories: Primary Articles, Fuel & Power, and Manufactured Products.

The WPI is released on a **monthly basis by the Office of the Economic Adviser, Ministry of Commerce and Industry,** which is responsible for compiling and releasing this index.

Pair 3 is incorrect: The Labour Bureau, an attached office of the Ministry of Labour & Employment, has been **compiling All-India Consumer Price Index for Agricultural Labourers (CPI-AL)** and Rural Labourers (CPI-RL) every month on the basis of retail prices collected from 600 villages spread over 20 States.

Pair 4 is correct: RESIDEX is **India's first official housing price index** that tracks the price changes in residential real estate properties across various cities in India. It helps in measuring the inflationary trends in the real estate sector, and is especially relevant in tracking property prices in urban areas. RESIDEX is **released on a quarterly basis by the National Housing Bank** (NHB).

165. Solution: (a)

Exp) Option a is the correct answer.

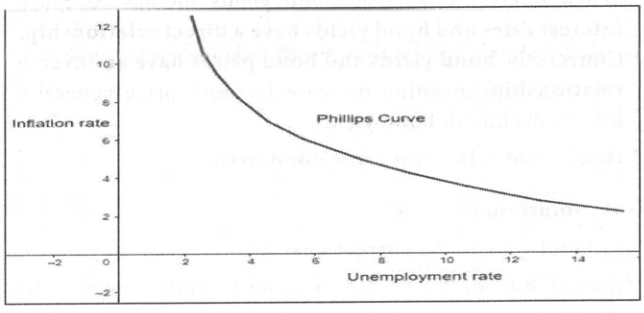
The **Phillips Curve**, introduced by economist **A.W. Phillips** in **1958,** is a graphical representation that demonstrates an **inverse relationship between inflation and unemployment** in an economy.

It suggests that **higher inflation** is typically **associated with lower unemployment** and **vice versa.**

This relationship arises because economic growth tends to fuel inflation, which in turn leads to increased demand for labour, creating more jobs and reducing unemployment.

In the short run, this trade-off appears consistent; however, in the **long run, this relationship breaks down** as sustained inflation can lead to **economic stagnation**, resulting in job losses and the **coexistence of high inflation and unemployment**—a phenomenon known as **'Stagflation.'**

This limitation of the Phillips Curve has led to its refinement in modern macroeconomic theories, recognizing that other factors also influence the dynamics of inflation and unemployment over time.



Philips Curve

3.3. Money Market and Capital Market

166. Solution: (b)

Exp) Option b is the correct answer.

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Statements 1 and 2 is correct. In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments can issue only bonds or dated securities, which are called the State Development Loans (SDLs).

Statement 3 is incorrect. Foreign Portfolio Investors (FPIs) are allowed to participate in the G-Secs market within the quantitative limits prescribed from time to time.

167. Solution: (c)

Exp) Option c is the correct answer.

Bonds are debt securities issued by various entities, including governments, corporations, and municipalities, to raise capital. They act as an important means of borrowing for the issuer and an investment for the bondholder.

Option a is incorrect: Bonds do not always offer fixed interest rates irrespective of the economic situation. While many bonds do offer fixed interest rates, there are exceptions such as **inflation-indexed bonds.** Inflation-indexed bonds are specifically structured to **adjust the interest payments in accordance with fluctuations in the price level** within an economy i.e. inflation.

Option b is incorrect: An increase in the interest rate often results in a decrease in the price of existing bonds, not an increase. Thus, **the price of bond and market interest rate share inverse relationship**. If interest rates rise, investors will no longer prefer the lower fixed interest rate paid by a bond, leading to **lower demand resulting in a decline in the price of bonds.**

Option c is correct: It is true that **bonds are a type of security that represents a loan made by an investor (the bondholder) to a borrower (the issuer).** The issuer agrees to pay periodic interest and return the principal amount to the bondholder at the bond's maturity date.

Option d is incorrect: Bonds carry varying degrees of risk, depending on the **issuer.** For example the **Government bonds** are often considered low-risk whereas the **corporate bonds** often comes with higher levels of credit risk.

Important Tips

When interest rates rise, bond yields increase because **interest rates and bond yields have a direct relationship.** Conversely, **bond yields and bond prices have an inverse relationship,** meaning increase in bond price generally lead to decline in bond yield.

Bond yield = Interest rate/ Bond price

168. Solution: (c)

Exp) Option c is the correct answer.

Treasury bills or T-bills are short term, money market debt instruments issued by the Government of India and are presently issued in three tenors, namely, 91-days, 182-days and 364-days.

Statement 1 is correct: Treasury bills are **zero coupon securities** and **pay no interest.** Instead, they are **issued at a discount and redeemed at face value** at maturity.

Statement 2 is correct: In India, the Central Government issues both, treasury bills and bonds or dated securities while the **State Governments issue only bonds or dated securities,** which are called the State Development Loans (SDLs).

Statement 3 is incorrect: T-Bills are issued via auctions conducted by the Reserve Bank of India (RBI) at regular intervals. **Individuals (Retail investors), trusts, institutions and banks** can purchase T-Bills. But they are usually held by financial institutions. Retail investors can subscribe to T-bill through Retail Direct Scheme which was formulated by RBI as a one stop solution to facilitate investments in Government Securities by individual investors.

Statement 4 is correct: Banks **can use T-bills to fulfil their Statutory Liquid Ratio (SLR) requirements.** Statutory Liquidity Ratio or SLR is a minimum percentage of deposits that a commercial bank has to maintain in the form of liquid cash, gold or other securities. It is basically the reserve requirement that banks are expected to keep before offering credit to customers.

169. Solution: (c)

Exp) Option c is the correct answer.

Securities and Exchange Board of India (SEBI) is set to introduce T+0 trade settlement cycle from March 28, 2024. The regulator has decided to roll it out on an optional basis.

Statement 1 is incorrect: In the T+0 settlement cycle, **trades are settled on the same day** as the transaction occurs, departing from the traditional T+1 cycle. This means shares will be transferred to the buyer's account and the funds will be deposited in the seller's account on the same day of the trade.

Statement 2 is correct: T+0 settlement has the potential to **lower transaction costs.** By enabling real-time settlement, **the T+0 cycle streamlines processes and reduces costs associated** with delayed settlements. A lower settlement risk could lead to lower fees associated with potential defaults.

Statement 3 is correct: T+0 settlement offers several benefits for risk management and market competitiveness:

1) **Reduced settlement risk:** Shortening the settlement window reduces the chance of a party failing to fulfill their obligation (default) between the trade date and settlement date.
2) **Enhanced market efficiency:** Faster settlement can improve overall market efficiency by streamlining the trade process.
3) **Increased global competitiveness:** A T+0 system could potentially make Indian markets more attractive to foreign investors by aligning settlement practices with other developed markets.

170. Solution: (a)

Exp) Option a is the correct answer.

A bond is a type of loan made by an investor to a borrower – a company or an institution – for a fixed period in return for regular interest payments.

Bonds provide reliable returns through interest payments whereas stocks do not provide any guaranteed income to the investors.

Bond price is the current market value of the bond. Bond yield represents the return an investor receives from holding a bond. The relationship between bond yield and bond price is inversely related. The mathematical expression for the relationship between the two is:

Yield= (Coupon/Market Price of Bond) X 100

A recession refers to a significant decline in economic activity across a country resulting in a decrease in the economic growth rate in a country.

Statement I is correct: A recession tends to **cause a fall in bond yields**. This is because, in times of uncertainty and negative growth phase, people would prefer their investment in bonds than more risky company shares as it provides guaranteed returns. This **increases the demand for bonds, and it drives their prices higher, inversely decreasing the bond yields.**

Statement II is correct: During a recession, investors often seek **safer investment options** to protect their capital. Bonds are considered safer investments compared to riskier assets such as stocks, as bonds provide timely returns in the form of interest payment and the same principal amount after the maturity period.

Statement II is the correct explanation of Statement I, because during recession, the people consider the bonds as safer investment opportunity and prefer bonds to other investment options like stocks. Thus, increased demand for bonds during recession decreases the bond yield.

Recession Investor safeguard their investment Bond is preferred over the Stocks Bond demand increases Bond Yield decreases

171. Solution: (a)

Exp) Option a is the correct answer

Commercial Papers (CPs) are short-term debt instruments issued by corporations to finance their immediate operational needs such as accounts receivable and inventory costs. They are unsecured, meaning they do not have any collateral backing them. CPs are typically issued by companies with high credit ratings because of the unsecured nature of the debt, which implies a higher risk for investors.

Statement 1 is incorrect: CPs are unsecured, they are not backed by any form of security or collateral. The credit worthiness of the issuing company is the primary assurance that investors have regarding the repayment of their investment.

Statement 2 is incorrect: CPs are considered short-term instruments with maturities typically ranging from 7 days up to 364 days (or less than one year). They are used for short-term financing needs, not long-term obligations.

Statement 3 is correct: Non-Resident Indians (NRIs) and foreign institutional investors (FIIs) are eligible to participate in subscription of Commercial Papers (CPs). CPs can be held by a wide variety of investors, including NRIs and FIIs, which allows for a diverse investor base and liquidity in the market.

172. Solution: (a)

Exp) Option a is the correct answer

Option 1 is correct: A Certificate of Deposit is a time deposit, a financial product offered by banks, providing an interest rate premium in exchange for the customer agreeing to leave a lump-sum deposit untouched for a predetermined period.

Option 2 is incorrect: Commercial Paper is a short-term debt instrument issued by large corporations to finance short-term liabilities. It is not issued by banks but by the corporate entities.

Option 3 is incorrect: Cash Management Bills are short-term securities issued by the government to meet temporary cash flow needs.

Option 4 is incorrect: T-Bills are short-term government securities with maturities of one year or less. They are not issued by banks but are issued by the RBI on behalf of the government.

173. Solution: (c)

Exp) option c is the correct answer.

Statement 1 is correct. ETFs are exchanged on the stock market just like regular stocks which **enhances their liquidity** while mutual funds are only traded at the close of the market day at the NAV price (Net asset value (NAV) represents a fund's per-share intrinsic value.)

Statement 2 is correct. ETFs typically have higher daily liquidity and lower fees than mutual fund schemes, making them an attractive alternative for individual investors. ETFs are generally considered more tax-efficient than mutual funds, owing to the **fact that they typically have fewer capital gains distributions.**

174. Solution: (c)

Exp) Option c is the correct answer.

Option c is correct: This is the correct description of **Momentum Investing.**

1) **Momentum investors believe that assets (such as bonds and stocks) with rising prices are likely to continue appreciating, while those with declining prices are likely to continue falling.**
2) The strategy involves buying assets that are trending upwards and selling those that are trending downwards, with the expectation that these trends will persist.
3) The goal is to capitalize on these trends by selling the assets at higher prices in the future, thus making profits.

Option a is incorrect: This describes **Value Investing** rather than Momentum Investing. **Value investors seek to identify and purchase stocks or other securities that they believe are undervalued by the market**. The idea is that these securities are trading for less than their intrinsic value,

and over time, the market will recognize their true worth, leading to price appreciation.

Option b is incorrect: This option describes **Diversification, a key principle of risk management in investing.** By spreading investments across different asset classes (such as stocks, bonds, real estate, and commodities), investors aim to reduce the overall risk of their portfolio. The idea is that different asset classes often perform differently under the same economic conditions, so diversification helps to mitigate potential losses in any single asset class.

Option d is incorrect: This option describes a strategy often referred to as **News-Based Trading or Event-Driven Investing.** Investors using this approach make decisions based on recent news, such as earnings reports, economic data releases, or geopolitical events. They aim to capitalize on short-term price movements triggered by these events, betting that the market will react strongly to the news.

175. Solution: (d)

Exp) Option d is the correct answer.

Short selling refers to selling of shares without possessing them. Short selling is defined as selling a stock which the seller does not own at the time of trade.

Short selling is when someone sells an asset they don't actually own, hoping that its price will drop in the future. The seller borrows the asset from a broker, sells it right away, and then plans to buy it back later at a lower price to return it to the broker. **Short selling is allowed in India.**

For example: Suppose an investor thinks that a company is overvalued at Rs. 200 per share and that its price is due to go down. The Investor borrows 10 shares of the company from a broker and then sells the shares for the market price of Rs. 200. Later, the investor buys back the 10 shares at Rs. 125 after the stock price has gone down and returns the borrowed shares to the broker. He would earn a net profit without investing a single rupee.

176. Solution: (c)

Exp) Option c is the correct answer.

Cash Management Bills are short-term money market instruments issued to meet the temporary mismatch in cash flows of the Government. They are discounted instruments issued for maturities less than 91 days.

Statement 1 is correct. State Governments cannot issue Cash Management Bills in India. Only the Central Government is allowed to issue it. Cash Management Bills are discounted instruments issued for maturities of less than 91 days. They are issued at a discount to the face value and are tradable.

Statement 2 is correct. The cash management bill will be treated as Government of India Treasury Bill and accordingly shall be **treated as Statutory Liquidity Ratio securities.** Thus, Banks can consider investment in CMBs as a valid investment in government securities for SLR purposes, as recognised under Section 24 of the Banking Regulation Act, 1949.

177. Solution: (b)

Exp) Option b is the correct answer.

The National Bank for Financing Infrastructure and Development (NaBFID) is a specialized Development Finance Institution in India aimed at supporting the country's infrastructure sector.

Statement 1 is correct. NaBFID is a statutory body under the Department of Financial Services, Ministry of Finance, Government of India. It was set up in 2021 by an Act of the Parliament-The National Bank for Financing Infrastructure and Development Act, 2021. It is regulated by the Reserve Bank of India as an All India Financial Institution, under Section 45L and 45N of the Reserve Bank of India Act, 1934.

Statement 2 is incorrect. NaBFID primarily issues long-term loans to the corporates to meet their credit requirements for building infrastructure. It has been established to support the development of infrastructure in the country, which are long gestation projects having long-term credit needs.

Statement 3 is correct. NaBFID can raise funds by issuing bonds in the financial market. It also gets grants from the Central Governments and loans from multilateral agencies like the World Bank.

178. Solution: (b)

Exp) Option b is the correct answer.

Different terms define the various stages of a company issuing shares on the stock market and receiving funds in lieu of it.

Option a is incorrect. Authorised Share Capital refers to the limit upto which shares can be issued by a company. It is also known as Nominal Capital and is usually fixed in the Memorandum of Association and Articles of Association of the Company.

Option b is correct. Paid-Up Share Capital refers to the actual amount of money for which the company issued shares to the shareholders and payment was made by the shareholders. A difference may arise with the authorized share capital as all shares authorized might not be issued or issued shares might be partly paid up.

Option c is incorrect. Subscribed Share Capital refers to the total value of shares that investors have agreed to buy from a company. It indicates money actually paid by the shareholders and potential funds. Thus, Paid-up capital is always less than or equal to subscribed capital.

Option d is incorrect. Issued Share Capital refers to the amount which is sought by the company to be raised by issuing shares which cannot exceed the authorized capital of the company.

179. Solution: (b)

Exp) Option b is the correct answer.

Additional Tier-1 (AT-1) bonds are a type of perpetual debt instrument issued by banks to enhance their capital base.

Statement I is correct: AT-1 bonds offer **higher yields** compared to traditional bonds due to their higher risk

profile. Since AT-1 bonds can be **written off**, converted into equity, or have their interest payments skipped in times of financial distress, they carry more risk. To compensate for this, banks offer **higher interest rates (coupon rates)** on AT-1 bonds.

Statement II is correct: AT-1 bonds are designed as **perpetual bonds**, meaning they do not have a fixed maturity date like regular bonds. Unlike government or corporate bonds that mature after a specific period (e.g., 5, 10, or 20 years), AT-1 bonds continue indefinitely unless the issuing bank **chooses to call them back** (redeem them).

But Statement II is not the correct reason for Statement I as AT-1 bonds offer higher yields compared to traditional bonds due to their higher risk profile

180. Solution: (a)

Exp) Option a is the correct answer.

Pair 1 is correct. Kerb trading is trading that takes place outside the purview of exchanges after official trading hours. They take place after the normal trading hours. It includes premarket trading and after-hours sessions.

Pair 2 is incorrect. Share Warrants are issued by public limited companies to raise funds. They give buyers the right to buy shares at a specific price on a future date. In India, buyers have to give 25% of the price at the time of buying a share warrant.

Pair 3 is incorrect. Carry trades refer to operations wherein an investor borrows in a currency with low interest rates and reinvests the proceeds in higher-yielding assets elsewhere. The goal is to profit from the difference in interest rates while hoping for favourable exchange rate movements.

181. Solution: (c)

Exp) Option c is the correct answer.

Derivatives are financial instruments that derive their value from an underlying asset. It is a contract between two parties and it derives its value from an underlying asset.

Option 1 is correct. Options are derivatives which give the holder the right to buy/sell underlying assets at a predetermined price within or at the end of a specified period.

Option 2 is correct. Swap are derivatives in which an agreement is concluded between two parties with the goal to exchange a sequence of cash flows over a certain duration.

Option 3 is incorrect. Commercial papers are not considered derivatives. They are a type of unsecured, short-term debt instrument issued by corporations, essentially a promissory note, making them a basic fixed income security, not a derivative product which derives its value from an underlying asset.

Option 4 is correct. Futures are derivatives, a legally binding agreement to buy or sell a particular commodity asset on a future date at a predetermined price.

Option 5 is correct. Forwards are over the counter derivatives that enable the buying or selling of an underlying security on a future date, at an agreed price.

182. Solution: (c)

Exp) Option c is the correct answer.

Corporate Bonds are debt instruments issued by corporate entities to raise funds from the security market. Corporate bonds are debt securities issued by private and public corporations.

When one buys a corporate bond, one lends money to the "issuer," i.e. the company that issued the bond. Bonds are considered fixed-income securities due to the predetermined and fixed payment structure they offer to investors. The holder of a corporate bond receives interest from the corporation periodically for a fixed period of time. He gets back the principal along with the interest due at the end of the maturity period. If your bonds are listed, you can also sell it in the secondary market before its maturity.

Statement 1 is incorrect. A corporate bond does not give an ownership interest in the issuing company, unlike when one purchases the company's equity stock. A holder of a corporate bond **becomes a lender to the issuing company**. He also does not enjoy any voting rights.

Statement 2 is correct. Bond price is the price at which investors buy and sell bonds in the secondary market. **Bond Price has an inverse relationship to market interest rates.** When interest rates rise, bond prices usually fall, and vice-versa.

The yield represents the return on investment for a bond. **Bond prices move in the opposite direction to the Bond yields.** If a bond's price increases, it is now more expensive for a potential new investor to buy. The bond's yield will then fall because the return an investor expects from purchasing this bond is now lower.

Thus, when interest rates rise, the bonds offer higher yields because their price is low. Conversely, falling interest rates decreases the bonds yields.

Statement 3 is correct. In India, both public and private companies can issue corporate bonds. A company incorporated in India, but part of a multinational group, can also issue corporate bonds. **However, a company incorporated outside India cannot issue corporate bonds in India.** A statutory corporation like LIC can also issue corporate bonds.

183. Solution: (b)

Exp) Option b is the correct answer.

Chit Fund is a pooled fund where a group of individuals invest a certain amount through periodic installments over a specified period of time. The chit fund provides access to savings and borrowings for people with limited access to banking facilities.

Statement 1 is correct. Chit funds have regular members who make periodical subscriptions to the fund. Chit Funds activity involves contributions by members in

installments. The periodic collection is given to some members of the chit funds selected on the basis of previously agreed criterion. The beneficiary is selected usually on the basis of bids or by draw of lots or by auction.

Statement 2 is incorrect. Both Nidhi Company and Chit fund can distribute funds only to its members and not to outsiders. Nidhi Company acts as a mutual benefit society, accepting deposits and lending money to its members. There is no such compulsion that every member must get the money in turns as it is in chit funds. In Chit Fund each member of the chit group is entitled to the chit amount by turns, and all members are liable to continue their subscriptions until the end of the chit cycle.

Statement 3 is incorrect. Chit Fund Companies are regulated by the respective State Governments and Nidhi Companies are regulated by the Ministry of Corporate Affairs, Government of India.

Chit Funds are registered by State Governments under the Chit Funds Act, 1982 – an Act administered by the Ministry of Finance but with responsibilities of implementation resting with the States.

184. Solution: (c)

Exp) Option c is the correct answer.

Option 1 is incorrect. Impact Investing is an investment strategy that aims to generate specific social or environmental effects in addition to financial gains. The impact investment provides capital to address the world's most pressing challenges in sectors including energy, microfinance, healthcare, sustainable agriculture, infrastructure and housing. **It is allowed in India.**

Option 2 is correct. Front running is a malpractice where a dealer, or broker purchases some shares using information related to orders of investors. **Brokers have access to information related to orders of investors** in advance. If they illegally use this information to trade in securities **to obtain profits on their personal account,** such a practice is called front running. **It is illegal in India.**

Option 3 is correct. A circular trade happens when two or more persons join hands and start trading in a scrip among themselves. Circular trading creates a false notion of active stock transaction, thus influencing the stock price.

It is a practice to artificially inflate the volume of the stock and its price without any real change in transaction.

Circular trading is prohibited in India.

Option 4 is incorrect. Cross margining is a concept whereby a trader can transfer excess margin from one account to another account to satisfy margin maintenance requirements.

This process enables market participants to use all of their available margin across all of their accounts. This raises the liquidity by reducing margin requirements and lowering net settlements. NSE had started a cross-margining facility in January 2020.

Option 5 is correct. Dabba trading is an illegal and unregulated form of trading in securities. In dabba trading, traders place deals in securities without the trades actually being executed on any official SEBI recognized stock exchange. Dabba trading is done by betting on the stock prices to make a profit without actually getting into the buying and selling of stocks in the stock market.

These trades are settled internally by the dabba operator and are outside the purview of stock exchanges and regulatory bodies.

185. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correct. A passive fund is an investment vehicle that tracks a market index, or a specific market segment, to determine what to invest in. Passive funds are mutual funds that replicate a market index and aim to generate returns similar to the overall market performance.

Passive funds as their nomenclature indicates are passively managed and **designed to replicate the performance of a specific index.**

Passive funds in India replicate the performance of a specific index and are suitable for investors looking for cost-effective, diversified exposure to the market with minimal management and tracking error.

Pair 2 is incorrect. A Scrip share is a share given to the existing shareholders without any charge. It is also known as bonus shares.

A **Sweat share is a share given to the employees** of the company without any charge.

The Right Shares refers to those issues of shares which a company offers to their existing shareholders at a discounted price.

Pair 3 is correct. A call option is a financial instrument that gives the buyer the right to purchase an underlying asset at a predetermined price within a specified period. The seller, or writer, of the call option has the obligation to sell the asset if the buyer exercises the option.

A put option is a financial contract that grants the owner the right to sell a specified amount of an underlying asset at a set price within a specific time frame. The buyer is obligated to buy the asset if the owner decides to exercise the option.

186. Solution: (b)

Exp) Option b is the correct answer.

Corporate bonds are debt securities issued by companies to raise funds. The holder of corporate bond receives interest from the corporation periodically for a fixed period of time and gets back

the principal along with the interest due at the end of the maturity period.

Statement 1 is incorrect. Corporate bonds can be traded both in the primary market and in the secondary market.

Corporate bonds are debt securities issued for the first time in the primary capital market.

If the corporate bonds are listed, **then the holder can also sell it in the secondary market before its maturity.**

The public offering by the company is referred to as primary market and the trading of the bonds

subsequently through the exchange is called secondary market.

Statement 2 is correct. In India, both public and private companies can issue corporate bonds. A company incorporated in India, but part of a multinational group, can also issue corporate bonds. **However, a company incorporated outside India cannot issue corporate bonds in India.** A statutory corporation like LIC can also issue corporate bonds

Statement 3 is incorrect. When an investor purchases a Corporate Bond, **he becomes a lender to the company who has issued that bond.** He also does not enjoy voting rights. A bond holder gets preference over the shareholders of the company in the repayment of his investment.

When a person buys equity of a company, he becomes part owner of the company. He is a shareholder of the company. He then enjoys voting rights also.

187. Solution: (c)

Exp) Option c is the correct answer.

Statement I is correct. Offshore derivatives instruments (ODIs) are investment vehicles used by overseas investors to invest in Indian equities or equity derivatives. These investors are not registered with SEBI. These investors approach a foreign institutional investor (FII), who is already registered with SEBI. The FII makes purchases on behalf of those investors and the FII's affiliate issues them ODIs.

P-notes are among the group of investments considered to be Offshore Derivative Investments (ODIs). As Participatory notes or P-notes are **used by overseas investors to invest in Indian securities** without having to register with the Securities and Exchange Board of India (SEBI).

Statement II is incorrect. An Indian Depositary Receipts (IDRs) is a mechanism that allows investors in India to invest in foreign companies. It **enables the foreign companies to raise funds from the Indian securities Markets (Not P-Notes).** IDRs are denominated in Indian Rupees and issued by a Domestic Depository in India. They can be listed on any Indian stock exchange. As foreign companies are not allowed to list on Indian equity markets, IDR is a way to own shares of those companies.

188. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correctly matched: A bull market signifies a **market condition where prices of stocks, bonds, or other assets are rising and are expected to rise further over time.** It is driven by optimism, investor confidence, and expectations of strong economic growth. Bull markets are generally associated with prolonged periods of economic expansion.

Pair 2 is incorrectly matched: Short selling is a trading strategy where an **investor borrows shares of a stock they do not own, sells them on the open market, and aims to buy them back later at a lower price** to return to the lender, pocketing the difference as profit.

Pair 3 is correctly matched: Private Placement is a **method of raising funds where a company sells securities directly to a small group of select investors,** such as institutional investors, banks, or mutual funds, rather than through a public offering. This approach is quicker and less regulated compared to public offerings, making it a popular choice for companies looking to raise capital efficiently.

189. Solution: (a)

Exp) Option a is the correct answer.

A credit default swap (CDS) is a financial instrument that allows investors to protect themselves against the risk of a borrower defaulting on their debt.

Statement 1 is correct. A credit default swap (CDS) is a financial derivative that allows an investor to swap or offset their credit risk with that of another investor. It is an **instrument of risk management in which an investor "swaps" or offsets his credit risk with that of another investor. It is a form of insurance against the failure of the borrower to repay the debt.**

Suppose person A has invested in a corporate bond. But he is not certain that the borrower is going to pay the interest or the principal amount on time. To hedge his risks, person A approaches person B, who agrees to reimburse person A in case the borrower defaults on his payments. In return person A agrees to pay person B monthly premiums till a certain maturity date. Person A and Person B are said to be in a credit default swap contract.

Statement 2 is incorrect. Credit Default Swaps are not prohibited in India. The Securities and Exchange Board of India (SEBI) allows Alternative Investment Funds to participate in CDS transactions. CDS also allowed for listed corporate bonds. SEBI recently allowed mutual funds to buy and sell Credit Default Swaps (CDS).

190. Solution: (b)

Exp) Option b is the correct answer.

The Securities and Exchange Board of India is a statutory body responsible for overseeing and regulating the securities markets in India. It was constituted as a non-statutory body in 1988. It was granted statutory status through the Securities and Exchange Board of India Act, 1992. SEBI is a market regulator, which controls the securities market in India.

Option 1 is correct. The basic functions of Sebi is **to protect the interests of investors in securities and to promote and regulate the securities market.**

Option 2 is incorrect. The **Payment and Settlement Systems Act, 2007 provides for the regulation and supervision of payment systems** in India and **designates the Reserve Bank of India as the authority for that purpose** and all related matters. The Reserve Bank is authorized under the Act to constitute a Committee of its Central Board known as the **Board for Regulation and Supervision of Payment and Settlement Systems (BPSS),** to exercise its powers and perform its functions and discharge its duties under this statute.

Option 3 is correct. SEBI registers and regulates the depositories, custodians of securities, foreign institutional investors, **credit rating agencies** and such other intermediaries as the Board may specify.

It is also responsible for registering and regulating the working of venture capital funds and collective investment schemes, including mutual funds.

Option 4 is incorrect. Foreign Direct Investments (FDI) under sectors is permitted either through the Automatic route or Government route. **Under the Automatic Route, the non-resident or Indian company does not require any prior approval from the Government of India.** Whereas, under the Government route, approval from the Government of India is required prior to investment. Proposals for foreign investment **under the Government route are considered by the respective Administrative Ministry/Department. SEBI is not primarily involved in approving the FDI.**

Important Tips

- SEBI is run by its board of members. The board consists of a Chairman and several other whole time and part time members.
- The chairman is nominated by the union government. The others include two members from the finance ministry, one member from Reserve Bank of India and five other members are also nominated by the Centre.
- The headquarters of SEBI is situated in Mumbai and the regional offices are located in Ahmedabad, Kolkata, Chennai and Delhi.
- SEBI controls the activities of stock exchanges, safeguards the rights of shareholders and also guarantees the security of their investment.

191. Solution: (c)

Exp) Option c is the correct answer.

InvITs function similarly to mutual funds or REITs, but they focus on investments in infrastructure assets such as toll roads, power transmission lines, and pipelines. The primary objective of InvITs is to offer retail investors access to infrastructure investment opportunities that were traditionally accessible only to large institutional investors.

Statement 1 is correct: Infrastructure Investment Trusts (InvITs) are regulated by the **SEBI (Infrastructure Investment Trusts) Regulations, 2014**. SEBI oversees their structure, functioning, and compliance to ensure transparency and protect investor interests.

Statement 2 is incorrect: InvITs allow retail investors to invest in infrastructure projects such as roads, bridges, power transmission lines, etc., by pooling money. This provides retail investors access to a segment that was traditionally dominated by large institutional investors.

Statement 3 is correct: InvITs generate income through sources such as tolls, rents, interest, and dividends. Investors can benefit from InvITs in two ways: regular income distributions and potential capital appreciation. As per SEBI rules, REITs/InvITs are required to distribute not less than 90% of the net distributable cash flows, subject to applicable laws, to its investors.

InvITs are pass-through entities, which means that the income and expenses of the InvIT are passed through to the unitholders. Under the budget 2023-24, all income distributed by InvITs, including interest income, dividend income, and rental income, will be taxable in the hands of unitholders. This is a change from the previous tax regime, under which only dividend income from InvITs was taxable. Here are some additional details about the tax treatment of InvITs under the Union Budget 2023-24:

1. Interest income from deposits in InvITs will be taxed at the investor's marginal income tax rate.
2. Dividend income from InvITs will be taxed at the dividend distribution tax (DDT) rate of 15%.
3. Rental income from InvITs will be taxed at the investor's marginal income tax rate.

192. Solution: (a)

Exp) Option a is the correct answer.

Treasury Bills (TB) are promissory notes issued by the Central Government for a fixed period extending up to one year as a device for raising short term funds. The bills are issued by the Reserve Bank of India on behalf of the Central Government.

Statement 1 is correct: Treasury bills or T-bills, which are money market instruments, are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely, 91 day, 182 day and 364 day. **Treasury bills are zero coupon securities and pay no interest. Instead, they are issued at a discount and redeemed at the face value at maturity. For example, a 91 day Treasury bill of ₹100/- (face value) may be issued at say ₹ 98.20, that is, at a discount of say, ₹1.80 and would be redeemed at the face value of ₹100/-. The return to the investors is the difference between the maturity value or the face value (that is ₹100) and the issue price.**

Statement 2 is incorrect: T-bills are exclusively issued by the central government. State governments cannot issue T-bills, instead, the State Governments raise funds through instruments like State Development Loans (SDLs).

193. Solution: (a)

Exp) Option a is the correct answer.

The money market facilitates short-term funding through financial instruments with maturities of up to one year, such as bills of exchange, promissory notes, commercial paper, and treasury bills. These instruments act as close substitutes for money, enabling businesses, organizations, and the government to meet short-term financial needs. The market falls directly under the regulatory jurisdiction of RBI.

Row 1 is correct: Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. CP, as a privately placed instrument, was introduced in India in 1990 with a view to enable **highly rated corporate borrowers** to diversify their sources

of short-term borrowings and to provide an additional instrument to investors. Subsequently, primary dealers and all-India financial institutions were also permitted to issue CP to enable them to meet their short-term funding requirements for their operations. CPs can be issued with maturities of 7 days to 1 year in denominations of ₹5 lakh or multiples. The individual, banking companies, other corporate bodies (registered or incorporated in India) and unincorporated bodies, Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs) etc. can invest in CPs. The CP's maturity must not exceed the issuer's valid credit rating period.

Row 2 is incorrect: Certificates of Deposit (CDs) are **short-term instruments** issued by **Commercial Banks and Financial Institutions (FIs)**. This instrument **is issued in lieu of the funds deposited at a bank for a specified time period.** These are similar to savings accounts and are virtually risk-free. Hence, they are freely transferable from one party to another. Their maturity period is between 7 days to one year for commercial banks. For Financial Institutions, the maturity is not less than a year and not more than three years. The minimum value of issuance is ₹ 1 Lakh and for higher values, it should be in multiples of ₹ 1 lakh.

Row 3 is incorrect: Cash Management Bills instruments **issued by the Government of India to meet its temporary cash flow mismatches.** It was introduced by the Government of India in consultation with the RBI in 2010. They are almost similar to T-bills, with the only difference being CBMs are issued for periods less than 90 days while T-bills are usually issued for more than 90 days.

194. Solution: (c)

Exp) Option c is the correct answer.

Statements 1 and 3 are correct : According to section 406 of Companies Act 2013, "Nidhi" means a company which has been incorporated as a Nidhi with the object of cultivating **the habit of thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit,** and which complies with such rules as are prescribed by the Central Government for regulation of such class of companies. **Nidhi companies** are a type of **Non-Banking Financial Company (NBFC)** that are regulated by the **Government of India** under **Section 406 of the Companies Act, 2013**, and governed by the **Nidhi Rules, 2014**.

Statement 2 is incorrect: While Nidhi Companies fall under the category of Non-Banking Financial Companies (NBFCs), they are exempt from RBI registration due to their limited scope of activities and do not require a license from the RBI. They are regulated by the Ministry of Corporate Affairs (MCA).

195. Solution: (d)

Exp) Option d is the correct answer.

Government Securities G-secs are debt instruments issued by the government to borrow money. The two key categories are treasury bills – short-term instruments which mature in 91 days, 182 days, or 364 days, and dated securities – long-term instruments, which mature anywhere between 5 years and 40 years.

Statement 1 is incorrect: Opening a **Retail Direct Gilt (RDG) account** will **allow individuals to buy Government securities directly in the primary market** (auctions) as well as buy/sell in the secondary market. For the retail investor, Government securities offer an option for long term investment.

Statement 2 is incorrect: All non-E-Kuber members including **non-scheduled UCBs can participate in the primary auction** through scheduled commercial banks or PDs (called as Primary Members-PMs) to buy Government Securities. For this purpose, the UCBs need to open a securities account with a bank / PD – such an account is called a **Gilt Account.** A Gilt Account is a dematerialized account maintained with a scheduled commercial bank or PD.

196. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: An ETF is a basket of securities, shares of which are sold on a stock exchange. An exchange traded fund (ETF) is a type of security that tracks an index, sector, commodity, or other asset, but which can be purchased or sold on a stock exchange the same way a regular stock. ETFs are a mix of open-ended and close-ended mutual funds.

Statement 2 is *incorrect*: ETF share prices **fluctuate all day** as the ETF is bought and sold; this is **different from mutual funds** that only trade once a day after the market closes. ETFs can be traded at any point during the trading day.

Statement 3 is *incorrect*: Commodities, like gold, are widely traded in ETFs. There isn't any physical delivery of commodity. The investor is just provided with an ETF certificate, similar to a stock certificate.

Important Tips

Bharat 22 is an ETF that will track the performance of 22 stocks of Central Public Sector Enterprises (CPSE), Public Sector Banks and strategic holding of SUUTI (Specified Undertaking of Unit Trust of India). The 22 stocks are diversified across six sectors such as(a) basic materials (b) energy (c)finance (d) FMCG (e) industrials and (f) utilities.

Bharat-22 ETF is managed by the ICICI Prudential AMC while Asia Index is the index provider.

197. Solution: (d)

Exp) Option d is the correct answer.

A financial instrument is defined as a document that indicates an asset to one individual (this person is owed) and a liability (this person owes) to another individual. Not all financial instruments are traded on the stock market. The financial instruments that are specifically traded on the stock market are shares/ stocks, derivatives, bonds and mutual funds.

Statement 1 is correct: In corporate finance, a **scrip issue**, is the process of **creating new shares** which are given free of charge to existing shareholders. Bonus shares issue is also known as: Bonus issue/Scrip issue/Capitalisation issue. These are additional shares given to shareholders without any charges.

Statement 2 is correct: Badla is carrying forward of transactions from one settlement period to another without effective delivery. This is permitted only in specified securities and is done at the making up price which is usually the closing price of the last day of settlement. Badla Charge is the consideration or interest paid to the seller by the buyer for carrying over a transaction from one settlement period to another.

Undha Badla and Ulta Badla are called backwardation and they are the reverse of Badla.

Badla led to some unintended and undesirable consequences and, was finally banned in 2001 by the capital markets regulator, Securities and Exchange Board of India.

Statement 3 is correct: Kerb dealing are the transactions of stocks which take place outside the stock exchanges—unofficially and take place after the normal trading hours.

It is also associated with the trading of shares outside the system of official stock markets or at hours when those stock markets are closed:

The reluctance of banks to lend to private companies forced the city's entrepreneurs to turn to the kerb market.

198. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is *incorrect*. Call money, also known as "money at call," is a short-term financial loan that is payable **immediately, and in full, when the lender demands it**. Unlike a term loan, which has a set maturity and payment schedule, call money does not have to follow a fixed schedule, nor does the lender have to provide any advanced notice of repayment. It is an interest paying loan but due to its short-term nature, it does not feature regular principal and interest payments which longer term loans might.

Statement 2 is correct. Call money is a short-term, interest-paying loan from **one to 14 days** made by a **financial institution to another financial institution**. Due to the short-term nature of the loan, it does not feature regular principal and interest payments, which longer-term loans might. The interest charged on a call loan between financial institutions is referred to as the call loan rate.

Statement 3 is correct. Call money is typically **used by brokerage firms** for short-term funding needs. Dealing in call money allows banks the opportunity to earn interest on surplus funds

199. Solution: (a)

Exp) Option a is the correct answer.

A qualified institutional placement (QIP) is a way for listed companies to raise capital without having to submit legal paperwork to market regulators. It is common in India and other Southeast Asian countries. The Securities and Exchange Board of India (SEBI) created the rule to avoid the dependence of companies on foreign capital resources.

Statement 1 is correct. Qualified Institutional Placement enables the listed companies to raise finance through the issue of securities to qualified institutional buyers (QIBs). It is a tool used by **publicly listed companies to raise capital (funds) domestically from institutional investors.**

Statement 2 is incorrect. Foreign institutional investor registered with SEBI are allowed to place investment under Qualified Institutional Placement. Only the group of investors, who follow certain regulations and rules formulated by SEBI are allowed to invest through Qualified Institutional Placement process. This group of investors is collectively known as a Qualified Institutional Buyer (QIB). According to SEBI, QIBs are defined as follows: Scheduled commercial banks; Mutual funds; **Foreign institutional investor** registered with SEBI; Multilateral and bilateral development financial institutions; **Venture capital funds** registered with SEBI. **Foreign Venture capital investors** registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA), Provident Funds with minimum corpus of Rs.25 crores, Pension Funds with minimum corpus of Rs. 25 crores, Public financial institution as defined in Companies Act, 2013; "

200. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is incorrect. P-notes are **issued by registered foreign portfolio investors (FPIs)** and not by SEBI, to overseas investors who wish to be part of the Indian stock market without registering themselves directly.

Statement 2 is correct. Investments flowing through P-notes are considered as **offshore derivative investments** (ODIs). Indian securities market regulator, SEBI issued the new Regulations for Foreign Portfolio Investors, participatory notes where it got formally defined under the tag "Offshore Derivative Instrument" (ODIs) in Section 2(1)(j) of the said regulation.

Statement 3 is incorrect. The P-notes holder **does not enjoy any voting rights** in relation to security/shares referenced.

201. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: Commercial paper, also called CP, is a **short-term debt instrument** issued by companies to raise funds generally for a time period up to one year. It is an unsecured money market instrument issued in the form of a promissory note.

Statement 2 is correct: Commercial paper is an unsecured, short-term debt instrument issued by corporations. **Commercial paper is not backed by any form of collateral, making it unsecured debt.** It's typically used to finance short-term liabilities such as payroll, accounts payable, and inventories. Commercial paper is usually issued at a discount from face value.

Statement 3 is incorrect: They are issued by companies at a discount to face value, and have a maturity period of up to one year. Corporates, primary dealers (PDs) and the all-India financial institutions (FIs) that have been permitted to raise short-term resources under the umbrella limit fixed by the Reserve Bank of India are eligible to issue CP.

202. Solution: (c)

Exp) Option c is the correct answer.

An **Indian Depository Receipt (IDR)** is issued by a **domestic depository in India** and **denominated in Rupees.** It represents an **ownership interest** in a fixed number of underlying equity shares of the Issuing Company. Since foreign companies are not allowed to list on Indian equity markets, IDR is a way to own shares of those companies.

A foreign company issues and deposits new shares with an Indian depository (say, National Securities Depository Ltd (NSDL) or Central Depository Service Ltd or CDSL), Such a depository then, in turn, issues equivalent shares in rupees to investors in India. Much like an equity share, it is an ownership pie of a company. IDRs involve currency risk for the underlying shares in another country. Fluctuations in the exchange rate could impact the value of the dividend payment

ECONOMIC & SOCIAL DEVELOPMENT

DEVELOPMENTAL ECONOMICS

4.1. Poverty, Health and Unemployment

1. With reference to the Non-Accelerating Inflation Rate of Unemployment (NAIRU), which of the following statements is correct?

(a) It is the highest level of unemployment rate that can be sustained without causing growth in wages.
(b) When unemployment is at NAIRU level, the rate of inflation will be constant.
(c) It reflects the level of disguised unemployment in the country.
(d) It is always calculated by adjusting the inflation rate to the GDP of the economy.

2. Which of the following examples best defines the essence of Human capital formation?

(a) Ensuring gender equality in the workplace.
(b) Factories with advanced machinery for manufacturing consumer goods efficiently.
(c) Transportation infrastructure like bridges and highways for efficient mobility.
(d) Educated teachers fostering students' intellectual growth by imparting knowledge

3. With reference to the Indian economy, consider the following statements:

Assertion: The share of formal jobs has remained greater than informal jobs in India in the post-liberalization period.

Reason: The share of the services sector in India's Gross Domestic Product has remained higher than agriculture sector, in the post-liberalization period.

Which of the following options is correct?

(a) Both Assertion and Reason are correct, and Reason is the correct explanation of the Assertion.
(b) Both Assertion and Reason are correct, but Reason is not the correct explanation of the Assertion.
(c) Assertion is correct, but Reason is incorrect.
(d) Assertion is incorrect, but Reason is correct.

4. Consider the following pairs with reference to various Prime Ministers of India and the Poverty alleviation schemes introduced under their tenure:

Prime Minister	Poverty alleviation scheme introduced by the government
1. Jawahar Lal Nehru	Integrated Rural Development Programme.
2. Indira Gandhi	Jawahar Rozgar Yojana
3. Lal Bahadur Shastri	Food for Work Programme
4. P.V. Narsimha Rao	National Social Assistance Programme

How many pairs given above are correct?

(a) Only one
(b) Only two
(c) Only three
(d) All four

5. With reference to the measurement of poverty levels, consider the following statements:

1. Absolute poverty is when people earn just enough money to afford the bare necessities of life.
2. Relative poverty is when people earn just enough money to maintain the average standard of living in the society they live in.

Which of the statements given above is/are **incorrect**?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

6. Which among the following options correctly describe the meaning of the term "Casualisation of workforce"?

(a) It describes the long-lasting unemployment that comes due to shifts in an economy.
(b) It represents individuals engaged in productive activities that are not taxed or registered by the government.

(c) It is a hidden unemployment in which labor employed in a job is not actually utilized for the production of goods and services.
(d) It describes the process of moving from self-employment and regular salaried employment to contract positions.

7. Consider the following statements:

1. The poverty gap is the ratio by which the mean income of the poor falls below the poverty line.
2. The Intensity of poverty measures the average deprivation among the people living in multidimensional poverty.
3. The poverty trap refers to an economic system in which it is difficult to escape poverty.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

8. Which of the following statements regarding the Phillips Curve is correct?

(a) It shows that economic growth initially leads to greater inequality, followed later by the reduction of inequality.
(b) It shows the relationship between tax rates and amount of tax revenue collected by government.
(c) It shows the distribution of income or wealth within a population.
(d) It shows that inflation and unemployment levels in an economy are inversely related.

9. With respect to various committees formed for poverty line estimation in India, consider the following pairs:

Committee name	Key Recommendation for estimating poverty line
1. Y. K. Alagh Committee (1979)	Different calories norms for rural and urban areas.
2. Lakdawala Expert Group (1993)	State-specific poverty lines.
3. Rangarajan Committee (2014)	Single poverty line basket for rural and urban areas.

How many pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

10. Which of the following conditions is not conducive for the occurrence of the demographic dividend in a country?

(a) When a country is having a bell-shaped population pyramid.
(b) When mortality and fertility rate is on a declining trend
(c) When the share of non-working age population is larger than the working age population
(d) When conducive economic policies are put in place.

11. In the context of poverty estimation in India, which of the following were the recommendations of the Tendulkar Committee?

1. Adoption of calorie consumption-based poverty estimation.
2. A uniform poverty line basket (PLB) across rural and urban India.
3. Incorporation of private expenditure on health and education while estimating poverty.
4. Using Mixed Reference Period based estimates.

Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

12. Consider the following pairs regarding the types of unemployment and their examples:

Type of Unemployment	Example/ Explanation
1. Frictional	Unemployment occurring due to automation
2. Structural	Unemployment in skiing resort in summer months
3. Cyclical	Unemployment during 2008 Financial Crisis

How many of the pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

13. Consider the following statements with reference to the informal sector in India:
1. The informal economy never adds to the tax revenue.
2. The informal sector is characterized by lack of stable employer-employee relationships.
3. Currently, the informal sector accounts for almost half of the country's GDP.

Which of the statements given above is/are correct?
(a) 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 3 only

14. In context of U-WIN portal, consider the following statements:
1. Its aim is to digitize Mission-Indradhanush.
2. The portal's exclusive focus is on the digitalization of immunization of children.

Which of the above statements is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

15. With reference to National Skill Development Corporation (NSDC), consider the following statements:
1. It is a not-for-profit public limited company.
2. It was set up by the Ministry of Finance as a Public Private Partnership (PPP) based initiative.
3. It aims to promote skill development by catalyzing the creation of large, quality and for-profit vocational institutions.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

16. In the context of categorization of Poverty, the term "Churning Poor" refers to
(a) Individuals or households whose poverty status worsens over time.
(b) Individuals or households who repeatedly move in and out of poverty over time.
(c) Individuals or households who consistently remain in poverty over an extended period without significant fluctuations in their economic status.
(d) Individuals who are employed but earn insufficiently to meet their basic needs.

17. With reference to 'Anusandhan National Research Foundation (ANRF)', consider the following statements:
1. It is a body established by an Act of the Parliament.
2. It is administered by the Ministry of Education.
3. It will act as an apex body to provide high-level strategic direction of scientific research in the country.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

18. Which of the following statements is correct regarding the 'Social Overhead Capital(SOC)'?
(a) It primarily serves the interests of private businesses and investors.
(b) It includes only physical infrastructure like roads and bridges.
(c) It includes investment in the infrastructure that benefits the society as a whole.
(d) It is restricted to the government-owned infrastructure projects.

19. With reference to 'Human Resource Development' consider the followings:
1. On job training
2. Investments in health facilities
3. Expenditure on migration by individuals in search of better education
4. Promoting access to information

How many of the above-mentioned actions can aid in human capital formation?
(a) Only one
(b) Only two
(c) Only three
(d) All four

20. With reference to economics, which of the following statements best describes 'Engel's Law'?

(a) It states that the demand for a good increase as its price decreases.
(b) It states that with higher income, the percentage of income spent on food decreases.
(c) It states that the supply of a good increases as its price increases.
(d) It states that as income increases, people tend to save more and spend less.

21. Consider the following pairs with reference to important reports and organizations releasing the report:

Report	Released by
1. Global Gender Gap Index	United Nations Development Programme (UNDP)
2. Gender Inequality Index	World Economic Forum (WEF)
3. Global Hunger Index	Concern Worldwide and Welthungerhilfe
4. Global Education Monitoring Report	Organization for Economic Cooperation and Development (OECD)

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

22. With reference to The Right of Children to Free and Compulsory Education Act of 2009, consider the following statements:

1. It was enacted to provide free and compulsory education to all children of the age of six to fourteen years.
2. The act follows the "no detention policy" until the children complete elementary education.
3. The act requires 25% of seats in all types of schools to be reserved for the children belonging to weaker sections and disadvantaged groups.
4. The act prohibits the practice of private tuition by the government school teachers.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 1 and 4 only
(c) 2 and 3 only
(d) 1, 2, 3 and 4

23. With reference to National Multi-dimensional Poverty Index, consider the following statements:

A household is considered deprived if-

1. the household has no electricity.
2. no member of the household has a bank account or a post office account.
3. the household does not have access to improved drinking water
4. the household cooks with coal or charcoal

Which of the statements given above are correct?

(a) 3 and 4 only
(b) 1, 2 and 4 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

24. Employment elasticity is a significant indicator of economic growth. With reference to employment elasticity, which of the following best indicates the scenario of low employment elasticity?

(a) Increase in incidence of disguised unemployment in an economy.
(b) Increase in informalization of workforce in an economy.
(c) Reduction in the number of employment opportunities due to technological advancement in an economy.
(d) The employment opportunities in an economy increase by less than one percent for every one percent growth in the economy.

25. Which one of the following best describes the concept of 'Palma Ratio'?

(a) It compares the ratio of a country's exports to its imports.
(b) It measures the income inequality within a nation.
(c) It assesses the difference between the literacy rates of urban and rural areas.
(d) It reflects the country's adoption of renewable energy resources.

26. The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development. In this context consider the following parameters/indicators:

1. Life expectancy at birth

2. Women's participation in political processes
3. Mean years of schooling
4. Expected years of schooling
5. Gross National Income per capita.

How many of the above parameters/ indicators are used in the calculation of Human Development Index?

(a) Only two
(b) Only three
(c) Only four
(d) All five

27. With reference to the 'National Food Security Act (NFSA) Act, 2013', consider the following statements:

1. Identification of beneficiaries under NFSA is done by the Ministry of Consumer Affairs, Food and Public Distribution, Government of India.
2. The prices of food grains, made available under NFSA, should be less than the Minimum Support Price (MSP).
3. If the entitled food quantities are not supplied, the entitled persons receive a food security allowance from respective State Governments.

Which of the statements given above is/are correct?

(a) 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 3 only

28. Consider the following statements:

Statement-I: Poverty line estimation in India is based on the consumption expenditure instead of income method.

Statement-II: In India a large share of population is involved in informal sector for their livelihood.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct, and Statement-II is the correct explanation for Statement- I .
(b) Both Statement-I and Statement-II are correct, and Statement-II is not the correct explanation for Statement-I .
(c) Statement-I is correct, but Statement-II is incorrect.
(d) Statement-I is incorrect, but Statement-II is correct.

29. Consider the following pairs:

Reports	Released by
1. School Education Quality Index (SEQI)	NITI Ayog
2. State of the Education Report for India	UNICEF
3. Annual Status of Education Report (ASER)	Pratham (NGO)
4. All India Survey on Higher Education (AISHE)	Ministry of Education

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

30. In the context of Indian Economy, consider the following:

1. An individual aged 68 years and is actively employed in a firm.
2. A working individual aged 16 years.
3. An unemployed individual pursuing job opportunities.
4. A retired individual receiving pension.

How many of the above are included in the country's labour force?

(a) Only one
(b) Only two
(c) Only three
(d) All four

31. Consider the following pairs:

Government Initiatives	Objectives
1. U-WIN	To provide telemedicine services to the people
2. E-Sanjeevani	To create a digital vaccine immunization registry
3. Tele MANAS	To provide mental health services to people

How many of the above given pairs are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

32. Navchetna and Aadharshila initiatives are related to which one of the following?

(a) To strengthen the Early Childhood Care and Education landscape.
(b) Prevention of sexual harassment of women at workplaces.
(c) Capacity building and financial support to women entrepreneurs in rural areas.
(d) Promotion of socio-economic welfare of the Particularly Vulnerable Tribal Groups (PVTGs).

33. Which one of the following statements best describes 'Engles' pause'?

It is a situation where:

(a) a rapidly growing economy stagnates for a short period of time due to structural changes in the economy.
(b) existing firms sell their goods at a low price for a short period of time to prevent the entry of new firms in the market.
(c) firms reap the benefits of new technology while real wages stagnate.
(d) manufacturers cut down on new investments following a contraction in the business cycle.

34. Consider the following statements:

Human Capital Formation as a concept is better explained in terms of a process which enables:

1. Accumulation of tangible assets
2. Accumulation of intangible assets
3. Educating the population
4. On the job training of human resources

Which of the statements given above are correct?

(a) 1 and 4 only
(b) 2 and 3 only
(c) 2, 3 and 4 only
(d) 1, 2, 3 and 4

35. In the context of the Indian economy, which of the given below is most closely associated with 'Golden Handshake'?

(a) Merger of two profitable companies.
(b) Voluntary Retirement scheme
(c) Privatization of loss-making State-owned company
(d) Trade Agreement on Critical minerals

36. In the context of Indian economy, consider the following statements:

Statement-I: Poverty line estimation in India is primarily based on consumption expenditure rather than income levels.

Statement-II: Poverty line is not uniform across all the states in India.

Statement-III: There is difficulty in assessing income of self-employed people and daily wage earners and fluctuations in income due to seasonal factors.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-II and Statement-III are correct and both of them explain Statement-I.
(b) Both Statement-II and Statement-III are correct, but only one of them explains Statement-I.
(c) Only one of the Statements II and III is correct and that explains Statement-I.
(d) Neither Statement-II nor Statement-III is correct.

37. "Temporary Unemployment when workers switch jobs or search for better opportunities."

The above statement best refers to:

(a) Structural Unemployment
(b) Frictional Unemployment
(c) Cyclic Unemployment
(d) Disguised Unemployment

38. With reference to Employees' State Insurance Scheme, consider the following statements:

1. It is applicable only to the formal sector employees whose monthly income is more than Rs.30,000.
2. It is funded through contributions made by both employers and employees.
3. It provides a monthly cash allowance for a duration of maximum 24 months in case of involuntary loss of employment.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

39. With reference to labour policy in India, consider the following about Minimum wage and living wage:

1. Minimum wage is the legally mandated minimum amount of remuneration to employees whereas living wage is the minimum amount of income required to afford a decent standard of living for workers.
2. India is currently following the living wage system for employees at both the central and state government levels.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

40. Which of the following best describes the term "Silver Dividend" seen recently in the news?
(a) A financial return on investments in silver-based commodity assets.
(b) The economic and social benefits gained from an active and productive old age population.
(c) A financial incentive given by the government to promote silver mining and export.
(d) A special bonus given to employees in recognition of their long-term service and dedication.

41. Which of the following best defines the term "Poverty Gap Index"?
(a) The difference in income and living standards between rural and urban poor.
(b) The percentage of people who cannot meet basic consumption or income thresholds..
(c) The percentage of individuals living below the poverty line despite work opportunities.
(d) The measure of how far individuals' incomes fall below the poverty line in proportion to the poverty line.

42. An increase in the Gini Coefficient of a country best indicates which of the following?
(a) There is a decline in inequality of income or wealth among the people of that country.
(b) There is an improvement in the living standard of the majority of the population of that country.
(c) There is an increase in inequality of income or wealth among the people of that country.
(d) The people of that country as a whole are earning less income than earlier.

43. With reference to Indian Economy, consider the following statements about self-employed workers:
1. More than half of India's workforce presently consists of self-employed workers.
2. The percentage of self-employed male workers out of total male workers is higher than the percentage of self-employed female workers out of total female workers.
3. Self-employed workers are mandated to enrol in the Employees' Provident Fund (EPF).

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 and 3
(c) 2 only
(d) 1 and 2

44. With reference to the eShram portal, consider the following statements:
1. It was launched by the Ministry of Social Justice & Empowerment.
2. It aims for the creation of a comprehensive National Database of Unorganised workers.
3. The workers who are registered on the portal are assigned with a unique Universal Account Number (UAN) to access social security benefits.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

45. The 'Unemployment Trap' can be best explained as a situation where:
(a) economic hardships due to unemployment hinders a person from acquiring new skills.
(b) a person is employed in a job which does not fully utilize his/her skills and abilities.
(c) an unemployed person is discouraged from finding work because of unemployment benefits.
(d) a person stays unemployed for a long time in search of better employment opportunities.

46. Which among the following can be the reasons for low employment elasticity in an economy?
1. Poor education and training system.
2. Higher government spending in the infrastructure activities and manufacturing sector.

3. Rapid technological advancements leading to capital-intensive automation led industrial production.

Select the correct answer using the codes given below:
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1,2 and 3

47. The term 'cross-subsidization', often seen in the news, best refers to:
(a) Situation when higher prices are charged to one group of consumers in order to charge lower price to another group.
(b) A taxation policy aimed at redistributing wealth through progressive taxes.
(c) Wrongfully giving subsidies to one group instead of another.
(d) The mechanism of transferring surplus funds from one government department to another

48. Which one of the following is not a parameter of the Global Gender Gap Index published by the World Economic Forum (WEF)?
(a) Economic Participation and Opportunity
(b) Political Empowerment
(c) Health and Survival
(d) Employment Generation

49. In context of the terms related to demography, consider the following pairs:

Term	Meaning
1. Infant Mortality Rate	The number of deaths of children under 5 years of age per one thousand live births
2. Literacy Rate	The proportion of adult population who has completed the primary level of education
3. Replacement level Fertility Rate	The average number of children expected to be born per woman, during her entire span of reproductive period

Which of the pairs given above is/are correctly matched?
(a) 1 and 3 only
(b) 3 only
(c) 1 and 2 only
(d) None

50. Which of the following are the indicators of the Human Development Index prepared by the United Nations Development Programme (UNDP)?
1. Life expectancy at birth
2. Infant Mortality Rate
3. Maternal Mortality Rate
4. Mean of years of schooling for adults aged 25 years and more
5. Expected years of schooling for children of school entering age

Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 2, 4 and 5 only
(c) 1, 4 and 5 only
(d) 1, 2, 3, 4 and 5

51. With reference to the Gender Inequality Index (GII), consider the following statements:
1. It is released by the World Economic Forum (WEF).
2. The index assesses male and female participation in parliamentary seats to measure gender inequality.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

52. Consider the following statements regarding various approaches used to measure unemployment in India.
1. Under Usual Status Approach, unemployment is recorded for a person if he/she has no gainful work even for 1 month of the preceding year.
2. Weekly Status Approach records unemployment for those who did not have gainful work even for an hour or a day of the week.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

53. Demographic dividend in a country will occur in which of the following conditions?
1. A country having a barrel shaped population pyramid.

2. When working-age population has grown larger than the dependant population.
3. decline in a country's birth rate and child death rate is being witnessed.

Select the correct answer from the code given below:

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

54. Consider the following:

1. Cost incurred on the education of a person.
2. Expenditure made on providing on-the job training to workers.
3. Cost incurred on migration to other places in search of better jobs.
4. Expenditure made on acquisition of information related to the labour market.

How many of the above would lead to human capital formation?

(a) Only one
(b) Only two
(c) Only three
(d) All four

55. With reference to different types of unemployment, consider the following pairs:

Scenario	Type of Unemployment
1. Workers at a garment factory lose jobs due to automation.	Structural Unemployment
2. A ski resort worker is unemployed during the summer.	Disguised Unemployment
3. An engineering graduate unable to find a job in their field, works part-time in a retail grocery store.	Seasonal Unemployment

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

56. With reference to Worker Population Ratio (WPR), consider the following statements:

1. It is defined as the percentage of persons in the labour force (i.e. working or seeking or available for work) in the population of a country.
2. In India, the WPR for persons above the age of 15 has been steadily raised from 2019-20 to 2023-24.
3. In India, the WPR for persons above the age of 15 is higher in rural areas compared to urban areas.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 2 only

57. "In pre-independent India, he was the first to discuss the concept of a Poverty Line. He used the menu for a prisoner and used appropriate prevailing prices to arrive at what may be called 'jail cost of living'."

The above description refers to which among the following personalities?

(a) Dinshaw Edulji Wacha
(b) V. K. R. V. Rao
(c) R.C Dutt
(d) Dadabhai Naoroji

58. Which of the following best defines the concept of "casualisation of the workforce"?

(a) Increased proportion of formal employees in the workforce.
(b) A rise in the number of workers receiving long-term contracts.
(c) Shift of workers from permanent jobs to contractual or temporary jobs.
(d) Increase in the proportion of self-employed individuals.

59. Consider the following:

1. Overseas Employment
2. Development of Small and Medium Enterprises.
3. Leveraging Public Infrastructure

How many of the above are part of the sub-missions of the National Skill development Mission?

(a) Only one
(b) Only two
(c) All three
(d) None

60. Which of the following is the correct order of below given stages of demographic transition with respect to the increasing level of economic development in a country?

1. Low Birth Rate with Low Death Rate.
2. High Birth Rate with High Death Rate.
3. High Birth Rate with Low Death Rate.

Select the correct answer using the code given below

(a) 3-1-2
(b) 2-3-1
(c) 1-3-2
(d) 2-1-3

61. Consider the following pairs regarding different forms of poverty:

Term	Description
1. Human Poverty	A condition where individuals experience deprivation in basic human needs, such as access to education, healthcare, and a minimum standard of living.
2. Time Poverty	A condition where individuals have too much free time, leading to inactivity and lack of productivity.
3. Environmental Poverty	A condition where individuals or communities lack access to clean air, water, and sustainable environment necessary for a healthy life.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

62. Consider the following indicators:

1. Child mortality
2. Years of schooling
3. Access to a Bank account
4. Asset ownership
5. Maternal Health

How many of the above are included as indicators of poverty in the global Multi-dimensional Poverty Index (MPI)?

(a) Only two
(b) Only three
(c) Only four
(d) All five

63. India is currently experiencing a significant demographic dividend, characterized by a substantial proportion of its population being of working age. In that context, consider the following:

1. Ensuring better healthcare facilities
2. Imparting skill development
3. Reducing fertility rates
4. Promoting gender equality in education and workforce participation
5. Promoting an early retirement culture among the working-age population

How many of the above actions can help India in achieving the maximum potential of demographic dividend in the near future?

(a) Only two
(b) Only three
(c) Only four
(d) All five

64. In an economy, the natural rate of unemployment refers to the-

(a) total unemployment at any given time
(b) sum of frictional and structural unemployment
(c) unemployment rate during a recession
(d) sum of seasonal and cyclical unemployment

65. Consider the following committee's setup in India:

1. Tendulkar Committee
2. C Rangarajan Committee
3. Mihir Shah Committee
4. Wanchoo Committee
5. Alagh Committee

How many of the above committees were established for the task of poverty estimation in India?

(a) Only two
(b) Only three
(c) Only four
(d) All five

66. Consider the following statements with reference to the human capital and physical capital:

1. Unlike physical capital, human capital is not traded in the market.
2. Unlike physical capital, human capital does not undergo depreciation.

3. Unlike physical capital, human capital creates both private and social benefits.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

67. Consider the following statements about the utility of Micro-Credit Programmes in alleviation of poverty in India:
1. Providing skill development opportunities
2. Reducing the need for collateral for loans
3. Increase in the household income, especially in rural areas.

Which of the above given statements are correct?
(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

68. Consider the following statements with reference to National Education Policy 2020:
1. It proposes a shift from the previous 10+2 academic structure to a 5+3+3+4 pedagogical & curricular structure.
2. It mandates mother tongue or regional language as the medium of instruction until at least Grade 5.
3. It introduces a National Assessment Centre named "PARAKH" to standardize student evaluations.
4. It mandates privatization of all government schools by 2030.
5. It aims to achieve a Gross Enrollment Ratio (GER) of 100% in higher education by 2035.

Which of the statements given above are correct?
(a) 1 and 3 only
(b) 1, 2, 3 and 4 only
(c) 2 and 5 only
(d) 1, 2, 3, 4 and 5

69. Sen Index developed by Amartya Sen is related to which of the following?
(a) Assessment of environmental sustainability
(b) Estimation of gender based disparity
(c) Measurement of Gross National Happiness
(d) Measurement of poverty

70. The terms usual status & current weekly status are often seen in the context of:
(a) Poverty estimation
(b) Measurement of Core Industrial output
(c) Employment and Unemployment estimation
(d) Measurement of infant mortality rate

71. Consider the following statements with reference to the National Council of Educational Research and Training (NCERT):
1. It is statutory organisation set up in 1961 to assist and advise the Central and State Governments on policies for qualitative improvement in school education.
2. NCERT is an implementation agency for bilateral cultural exchange programmes with other countries in the field of school education.
3. Its executive Committee meeting is chaired by the Union Education minister.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

72. Which of the following statements best describe the economic situation of 'Glass Cliff'?
(a) It refers to a situation in which women are promoted to higher positions in companies during times of crisis.
(b) It refers to an unspoken limit on how higher a woman can rise in an organisation.
(c) It refers to a situation in which mass layoffs of the employees are done to balance out the ill effects of aggressive hiring previously done.
(d) It refers to a situation where men employed in inferior positions are promoted faster compared to women.

73. With reference to India, consider the following statements:
1. The Gini coefficient has rapidly reduced in the last decade.
2. Reduction in tax progressivity is one of the reasons for the rise in income inequality.
3. Per capita income has decreased after the economic liberalization of 1991.

Which of the statements given above is/are correct?
(a) 2 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

74. The objective of the recently launched 'PM-SHRI' initiative is to-

(a) showcase the rich cultural heritage of the country
(b) reduce the financial burden of charitable religious institutions
(c) strengthen the existing government schools
(d) provide amenities of international standards around monuments

75. Which of the following ministries in India is responsible for compiling data on formal employment and the likely vacancies to occur in the organised sector through a network of employment exchanges?

(a) Ministry of Labour and Employment
(b) Ministry of Statistics and Programme Implementation
(c) Ministry of Finance
(d) Ministry of Skill Development and Entrepreneurship

76. With reference to Multi-Dimensional Poverty Index (MPI), consider the following statements:

1. The global MPI was jointly developed by Oxford Poverty & Human Development Initiative (OPHI) and UN Development Programme (UNDP).
2. MPI is divided in three dimensions having equal weightage.
3. One of its flaws is that it does not assess data releated to poverty at the individual level.

Which of the statements given above are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

77. With reference to Gender Inequality Index (GII), which of the following statements is/ are correct?

1. Low GII value indicates low level of inequality between women and men in a country.
2. It reflects inequality in three dimensions- reproductive health, empowerment and the labour market.
3. It is released by the World Economic Forum.

Select the correct answer using the code given below.

(a) 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

78. With reference to Indian economy, consider the following statements regarding Open Unemployment:

1. Open Unemployment Rate is defined as total unemployed people as a percentage of the working age population.
2. The fall in Open Unemployment Rate may not necessarily represent an increase in the employment rate.
3. Open Unemployment Rate in India has steadily decreased in the last five years.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 3 only
(c) 2 only
(d) 1, 2 and 3

79. Consider the following statements regarding situation of workforce in an economy:

1. Casualisation of a workforce is a situation in which employment shifts from full time and permanent position to contractual position.
2. Informalisation of workforce is a situation in which the proportion of workforce in the formal sector of economy declines over a period.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

4.2. Government Schemes

80. Consider the following objectives:

1. Providing direct monthly financial assistance to families with girl children below 18 years of age.
2. Supporting parents in promoting the financial security of the girl child.
3. Ensuring proper nutritious meals to be given to girl child.
4. Providing skill-based training to school drop-out girls above the age of 14 years.

How many of the above are the objectives of the Sukanya Samriddhi Yojana (SSY)?

(a) Only one
(b) Only two
(c) Only three
(d) All four

81. Consider the following statements about the Yuva Sahakar Scheme:

1. The scheme is being implemented by National Cooperative Development Corporation (NCDC).
2. A cooperative society must have been functional for at least 6 months to be able to reap the benefits under the scheme.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

82. Consider the following pairs:

Recent Government Initiative	Their Objectives
1. Nayi Chetna	Addressing the issue of gender-based violence
2. Humsafar Policy	Promoting the social inclusion of transgenders
3. Project NAMAN	Providing support services for armed forces veterans and their families
4. Project VISTAAR	Providing loans to Self Help Groups to establish micro and small industries.

How many of the above pairs are correctly matched?
(a) Only one
(b) Only two
(c) Only three
(d) All four

83. With reference to NPS Vatsalya Scheme, consider the following statements:

1. Any person between the age of 18 to 60 years can subscribe to the scheme.
2. There is no limit on the maximum contribution in the scheme.
3. The scheme is administered by the Pension Fund Regulatory Authority of India (PFRDA).

Which of the statements given above is/are correct?
(a) 2 only
(b) 1 and 2
(c) 2 and 3
(d) 3 only

84. With reference to Pradhan Mantri Janjatiya Unnat Gram Abhiyan (PMJUGA), consider the following statements:

1. Its focus is exclusively on Particularly Vulnerable tribal groups.
2. The Ministry of Social Justice and Empowerment is the nodal agency responsible for implementation of the scheme.
3. One of its objectives is universalisation of access to good education for tribal communities.

Which of the statements given above is/are correct?
(a) 1 and 3 only
(b) 1 and 2 only
(c) 3 only
(d) 1, 2 and 3

85. With reference to Uttar Poorva Transformative Industrialization Scheme (UNNATI) 2024 for industrial development in the North Eastern Region of India, consider the following statements:

1. It is a Centrally Sponsored Scheme.
2. Under the scheme, the government provides capital interest subvention incentives to eligible businesses in only manufacturing sectors.
3. The scheme provides a capital investment incentive only to the new business units.

Which of the statements given above is/are correct?
(a) 2 and 3
(b) 2 only
(c) 1 and 2
(d) None

86. The SMILE (Support for Marginalized Individuals for Livelihood and Enterprise) scheme aims to provide comprehensive rehabilitation for the welfare of which of the following pairs of communities?

(a) Scheduled Castes & Scheduled Tribes living below the poverty line.
(b) Transgender persons and persons engaged in the act of begging.
(c) Persons with disabilities and persons engaged in manual scavenging.
(d) Widowed women and senior citizens with locomotor disabilities.

87. The terms "Tarun," "Shishu," and "Kishore" are frequently mentioned in the news. They are associated with which of the following schemes?

(a) Sukanya Samriddhi Yojana
(b) Production Linked Incentive (PLI) Scheme
(c) Pradhan Mantri Poshan Abhiyan
(d) Pradhan Mantri Mudra Yojana

88. Which of the given below are components of the PM e-Vidya initiative which is a comprehensive education initiative launched by the Government of India?

1. DIKSHA platform to provide digital educational content.
2. Swayam Prabha to deliver education through DTH channels.
3. Digitally Accessible Information System (DAISY) to provide educational content for Visually impaired people

Select the correct answer using the code given below:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

89. With reference to the PM Surya Ghar Muft Bijli Yojana, consider the following statements:

1. The scheme provides 100% subsidized rooftop solar systems to eligible households, covering both installation and maintenance costs.
2. It is mandatory for households to have a valid electricity connection to be eligible for the scheme.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

90. Consider the following statements about Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana:

1. It does not cover any pre-existing health conditions.
2. It covers all senior citizens of 70 years of age and above irrespective of their socio-economic status, on family basis.

Which of the above statements is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

91. Consider the following schemes/programs of government of India and their objectives:

Scheme/Program	Objective/Purpose
1. NISHTHA programme	Integrated Teacher Training Programme
2. Vidya Pravesh	3-month play-based 'school preparation module' for all Grade-I Students with and without preschool education
3. PM POSHAN Scheme	One hot cooked meal for students of class I-VIII in Government and Government-aided schools

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

92. Consider the following pairs with respect to Sustainable Development Goals (SDG):

Sustainable Development Goals (SDG)	Description	Government scheme in India to achieve the goal
1. SDG 2	End poverty in all its forms everywhere	Deendayal Antyodaya Yojna-National Rural Livelihoods Mission (DAY-NRLM)
2. SDG 6	Ensure availability and sustainable management of clean water and sanitation for all	Sukanya Samriddhi Yojana

3. SDG 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	PM Kaushal Vikas Yojana
4. SDG 11	Make cities and human settlements inclusive, safe, resilient and sustainable	AMRUT Scheme
5. SDG 12	Ensure sustainable consumption and production patterns	PM Surya Ghar Muft Bijlee Scheme

How many of the rows given above are correctly matched?

(a) Only two
(b) Only three
(c) Only four
(d) All five

93. Consider the following pairs:

Government Schemes	Objectives
1. Stand Up India	Promoting entrepreneurship among Scheduled Castes/Scheduled Tribes and women by facilitating bank loans for setting up businesses.
2. PM Suraksha Bima Yojana	Facilitating job search for unorganised workers.
3. e-Shram portal	Offering affordable life and disability cover to low-income workers.
4. PM SVANidhi	Providing collateral-free working capital loans to street vendors.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

94. With reference to Production-Linked Incentive (PLI) Scheme, consider the following statements:

1. Under the scheme, incentives are provided to the companies based on incremental Investment and Production over base year.
2. It provides incentives only to the domestic companies in India.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

95. Consider the following statements regarding the PM Vishwakarma Scheme:

1. It is a Centrally Sponsored Scheme launched by the Ministry of Skill Development and Entrepreneurship (MSDE).
2. It aims to support traditional artisans and craftspeople by providing skill training and facilitating market access.
3. The scheme includes provisions for collateral-free credit and incentives for promoting digital transactions.

Which of the statements given above is/are correct?

(a) 1 and 2
(b) 2 and 3
(c) 2 only
(d) 1 and 3

96. Consider the following statements regarding the Pradhan Mantri Fasal Bima Yojana (PMFBY), which provides insurance coverage and financial support to farmers in the event of crop failure:

1. Only public sector insurers can participate in the crop insurance scheme.
2. Notified Area is the Unit of Insurance decided by the Gram Panchayat for notifying a Crop during a season.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

97. Consider the following pairs of schemes of government of India and their objectives:

Scheme	Objective
1. SAMARTH Mission	Reduce air pollution and carbon footprints from thermal power plants and farm stubble burning.
2. UJALA Scheme	Promote efficient use of energy at the residential level.
3. PM - Surya Ghar Muft Bijli Yojana	Achieve universal household electrification in the country.
4. Pradhan Mantri Sahaj Bijli Har Ghar Yojana	Transform India's energy landscape by providing free electricity to all rural households.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

98. With reference to 'Pradhan Mantri Jan Arogya Yojana (PM-JAY), consider the following statements:

1. beneficiaries are identified through Socio-Economic Caste Census (SECC) data.
2. It provides health insurance cover up to Rs. 5 lakh per eligible person.
3. Public hospitals are reimbursed for the healthcare services at par with the private hospitals.
4. It does not cover any pre-existing health conditions.

Which of the above given statements are correct?

(a) 2, 3 and 4 only
(b) 1 and 3 only
(c) 1, 2 and 3 only
(d) 1, 3 and 4 only

99. With reference to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), consider the following statements:

1. MGNREGA guarantees the 'right to work' to all the citizens of India.
2. The Act mandates a social audit of all the works executed under it.
3. Payments for work under MGNREGA cannot be delayed for more than 15 days of closure of muster roll.
4. It aims to provide a minimum of 100 days of wage employment in a financial year to every eligible household.
5. It focuses exclusively on the construction of infrastructure related to water conservation and harvesting.

Which of the above given statements are correct?

(a) 1, 2, 3 and 4
(b) 2, 3 and 4 only
(c) 2, 3, 4 and 5 only
(d) 1, 2, 3, 4 and 5

100. With reference to 'PM-VIKAS Scheme', consider the following statements:

1. It aims to enhance the skills of artisans and craftspeople involved in traditional occupations.
2. It is a Central Sector Scheme.
3. Ministry of Skill Development and Entrepreneurship is the nodal ministry of sceheme.
4. The scheme is to be implemented in convergence with the 'Skill India Mission'.

Which of the above given statements are correct?

(a) 2, 3 and 4 only
(b) 1 and 3 only
(c) 1, 2 and 4 only
(d) 1, 3 and 4 only

101. With reference to features of Integrated Child Development Services (ICDS) Scheme, consider the following statements:

1. Under ICDS, Anganwadi Centers (AWCs) have been set up in every village in the country to provide pre-school non-formal education.
2. ICDS aims to improve the nutritional and health status of children in the age-group 0-6 year.
3. ICDS undertakes immunization programme for pregnant women to prevent maternal and neonatal mortality.
4. ICDS provides Nutrition and Health education to women in the age group of 15-45 years.

Which of the above given statements are correct?

(a) 2, 3 and 4 only
(b) 1 and 3 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

102. In context of Pradhan Mantri Awas Yojana (Urban), consider the following statements:

1. It aims to provides all weather pucca house to people living exclusively in the below poverty line in urban slums.
2. To obtain funding under the scheme, the beneficiary should not own a pucca house anywhere in India.
3. Only Scheduled Commercial Banks are identified as primary lending institutions under this scheme

Which of the above given statements are correct?

(a) 2 and 3 only
(b) 1 and 3 only
(c) 1 and 3 only
(d) None of the above

103. With reference to Employees State Insurance (ESI) Scheme, consider the following statements:

1. It is a self-financing health security scheme for the employees in the organized sector.
2. All the establishments employing at least 100 or more employees comes under ESI coverage.
3. It is administered by the Insurance Regulatory and Development Authority.
4. The family members of the insured employees are entitled to medical care under the scheme.

Which of the above given statements are correct?

(a) 1 and 4 only
(b) 1 and 3 only
(c) 1, 2 and 3 only
(d) 1, 2 and 4 only

104. With reference to PM SVANidhi scheme, consider the following statements:

1. It is a Central sector scheme.
2. The loans to the beneficiaries would be given without any collateral.
3. Ministry of Housing and urban affairs is the implementation authority of the scheme.

Which of the above given statements are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1, 2 and 3
(d) 2 and 3 only

105. With reference to Members of Parliament Local Area Development Scheme (MPLADS), consider the following statements:

1. MPLADS, nominated Members of the Lok Sabha and Rajya Sabha may select works for implementation in one or more districts of any one State.
2. MPs need to recommend work worth at least 15% and 7.5% of the allocated funds in areas inhabited by Scheduled Castes (SCs) and Scheduled Tribes (STs) respectively.
3. The minimum amount sanctioned for any project or work under the scheme cannot be less than Rs. 10 lakh.
4. MPLADS Funds are non-lapsable in nature.

Which of the above given statements are correct?

(a) 1 and 4 only
(b) 1 and 3 only
(c) 1, 2 and 3 only
(d) 1, 2 and 4 only

106. With reference to the Pradhan Mantri Schools for Rising India (PM-SHRI) scheme, consider the following statements:

1. It is a centrally sponsored scheme.
2. It aims to develop world-class schools with the collaboration of foreign top-class schools.
3. The schools established under the scheme will focus on enhancing both cognitive and skill development of students.

Which of the above given statements is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1 only
(d) 3 only

107. Consider the following statements with respect to the Pradhan Mantri Mudra Yojana (PMMY):

1. Under the scheme loans would be provided to small/micro-enterprises engaged in non-farm activity.
2. Under this scheme, loans are categorized into Shishu, Kishor and Tarun.
3. Collateral is required for loans under the PMMY.

Which of the above given statements is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2and 3 only
(d) 2 only

108. In context of PM-KISAN scheme, consider the following farmer families in which one or more of its members belong to the following categories:

1. All Persons who paid Income Tax in the last assessment year
2. All retired pensioners whose monthly pension is Rs. 5000/- or less
3. All Group A employees of Central /State Government
4. Professionals like doctors and lawyers registered with professional bodies and carrying out professions by undertaking practice.

How many of the above categories of farmers' families are **not** eligible for benefit under the scheme?

(a) Only one
(b) Only two
(c) Only three
(d) All four

109. Consider the following pairs about major schemes and their objectives:

Government Scheme	Objective
1. PM PRANAM	To promote mangrove plantation along the coastline
2. Green Credit Program	To encourage environmentally sustainable actions by companies
3. Amrit Dharohar Scheme	To promote balanced use of chemical fertilizers
4. MISHTI scheme	For protection of desert ecosystem in arid regions

How many pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

110. Consider the following statements about National Social Assistance Program (NSAP):

1. It represents a step towards the fulfilment of some of the Directive Principles of State policy.
2. Annapurna Scheme is one of the five sub schemes launched under this program.
3. An applicant must belong to a Below Poverty Line (BPL) family to avail themselves of the benefits of NSAP.

Which of the above given statements is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

111. With reference to the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA), consider the following statements:

1. The act guarantees hundred days of wage employment to adult members of rural households.
2. While the act permits community projects, it prohibits projects oriented towards individual beneficiaries/assets.
3. The act mandates that at least one-third of beneficiaries should be women.

Which of the above given statements is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1 only
(d) 3 only

112. Consider the following statements in relation to Mission Poshan 2.0:

1. Ministry of Health and Family welfare is the nodal ministry for the mission.
2. One of the aims of the mission is to improve the nutritional status of children up to the age of 6 years.
3. One of the important components of the scheme is to bring behavioral change through Jan Andolan.
4. It is being implemented as a Central sector scheme.

Which of the above given statements is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 3 and 4 only
(d) 2, 3 and 4 only

113. With reference to 'Pradhan Mantri Suraksha Bima Yojana (PMSBY)', consider the following statements:

1. The Scheme provides accidental life cover to people in the age group of 18 to 70 years.
2. It provides benefits to family of the victim in case of his suicidal death.
3. The scheme is administered through the Public Sector General Insurance Companies.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

114. With reference to Scheme for Economic Empowerment of DNTs (SEED) Scheme, consider the following statements:

1. It is an initiative for the economic development of De-notified Tribes.
2. It is implemented by the Ministry of Social Justice & Empowerment.
3. It will provide health insurance cover to eligible families.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

115. Consider the following statements about Small Savings Scheme being implemented by the Central Government of India:

1. The collections from all small savings instruments are credited to the National Small Savings Fund (NSSF).
2. Both National Small Savings Certificate (NSC) and Kisan Vikas Patra (KVP) are types of Small Savings Schemes.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

116. Consider the following statements about PM DevINE scheme:

1. It is a Centrally Sponsored Scheme.
2. It will be implemented through the North Eastern Council for development.
3. The NECTAR Livelihood Improvement Project will be funded under this scheme.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

117. In context of Employee's Provident Fund (EPF) scheme, consider the following statements:

1. The EPF Scheme is available only to central and state government employees.
2. The EPF interest rate is decided by the Union government annually.

Which of the above statements are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

118. As per the National Rural Employment Guarantee Act, 2005 the state governments shall meet which of the following expenses under the Mahatma Gandhi National Rural Employment Guarantee Scheme?

1. The cost of unemployment allowance payable under the scheme.
2. Amount required for the payment of wages for unskilled manual work under the scheme.
3. One-fourth of the material cost of the scheme.

Select the correct answer using the code given below:

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

SOLUTIONS

4.1. Poverty, Health and Unemployment

1. Solution: (b)

Exp) Option b is the correct answer.

The non-accelerating inflation rate of unemployment (NAIRU) is the lowest level of unemployment that can occur in the economy before inflation starts to inch higher.

Option a is incorrect: The NAIRU is the **lowest unemployment rate (and not highest)** that can be sustained without causing wages growth and inflation to rise.

Option b is correct: The non-accelerating inflation rate of unemployment (NAIRU) is the specific unemployment rate at which the **rate of inflation stabilises and is constant** – inflation will neither increase nor decrease. When unemployment rises above NAIRU level, inflation decreases; when unemployment drops, inflation increases.

Option c is incorrect: NAIRU does not reflect the level of disguised unemployment in the economy. The **natural rate of unemployment** is sometimes called the NAIRU because it is consistent with an economy that is growing at its long-term potential, so there is **no upward or downward pressure on inflation.** Disguised unemployment is hidden unemployment where labour that is employed in a job is not actually utilised for the production of goods and services.

Option d is incorrect: There is no set formula to determine NAIRU. The countries use statistical models to put the NAIRU level. Example: The US Federal Reserve puts it somewhere between 5% and 6% unemployment.

Important Tips

NAIRU is a concept that helps in gauging how much **'spare capacity'** there is in the economy and **phenomenon of hysteresis.** Hysteresis occurs when unemployed persons are unwilling to accept lower wage rates as a means of returning to work. NAIRU defies the **notion of cyclical, or self-adjusting, unemployment. Example:** If jobs are outsourced to lower-wage economies, workers of the home economy may over time become unqualified to take on those jobs should they return or become dependent on government welfare benefits. The NAIRU cannot be observed directly.

2. Solution: (d)

Exp) Option d is the correct answer.

Human capital refers to the collective skills, knowledge, experience, and abilities possessed by individuals within a workforce. It enhances economic productivity, innovation, and societal well-being.

Option a is incorrect. Ensuring gender equality in the workplaces is not directly related to the concept of Human Capital formation. Basically, the Human capital formation has three major components which are education, health and skill development of the individuals.

Option b is incorrect. Factories with advanced machinery represent physical structures equipped with tangible assets such as machinery and equipment, which are essential for producing goods. They contribute to economic production and are considered physical capital.

Option c is incorrect. Infrastructure like bridges and highways are physical structures designed to facilitate the movement of goods and people. They are considered physical capital as they play a crucial role in transportation and commerce.

Option d is correct. Educators with a strong educational background and teaching skills play a vital role in shaping the intellectual development of students. Their ability to impart knowledge and promote learning represents human capital.

3. Solution: (d)

Exp) Option d is the correct answer.

Liberalization was expected to formalize India's largely informal agrarian economy, with labor moving from agriculture to the organized industrial sector. But we have witnessed contractualization of the employment.

Assertion is incorrect: The **quality of employment in India has declined** in the post-liberalization period. Of around 61 million jobs created in India over 22 years post-liberalization of the economy, **92% were informal jobs**, according to an analysis of National Sample Survey Office (NSSO) data for 2011-12. While formal workers comprised 6% of the total workforce in 1999-2000, this increased to around 9% in 2011-12, showing that the jobs that were created in the formal sector were mainly informal, employing workers with low earnings and with limited or no social protection.

Reason is correct: Agriculture accounted for nearly 30 per cent of the total GDP in 1991, and now accounts for 17.4 per cent of the economy. The services sector presently contributes nearly 54 per cent to domestic GDP and this was 39 per cent in 1991.

4. Solution: (a)

Exp) Option a is the correct answer.

Poverty alleviation programmes are launched by the government to remove poverty and provide better access to work, food and basic facilities to the poor people.

Pair 1 is incorrect: The Integrated Rural Development Program (IRDP) was launched by the Government of India **(Morarji Desai)** during 1978 and implemented during 1980. The program aimed at providing employment opportunities to the poor and a chance to enhance their skill sets. The focus of IRDP was also mainly on the target group i.e. small and marginal farmers, agricultural labourers and rural artisans. Its goal is to provide long term employment to disadvantage group and increasing rural small scale industry production.

Pair 2 is incorrect: Jawahar Rozgar Yojana was launched in 1989(V.P. Singh) launched with the merger of two schemes National Rural Employment Programme and Rural Landless Guarantee Programme (RLGP) aimed at providing sustainable employment to rural population.

Objectives of Jawahar Rozgar Yojana:

(a) Providing employment opportunities to unemployed and under-employed population in the rural areas.

(b) Developing rural Infrastructure and establishments for the benefits of the rural areas.

(c) Preference was given to the OBCs, SC/STs etc.

(d) Special reservation for women 30% of the employment opportunities.

Pair 3 is incorrect: Food for work programme was started in **1970s**. Under this scheme by **food grains were provided instead of wages** aiming to address poverty and food security in backward regions. Under this scheme some **unskilled manual labour** like constructing kutcha road, cleaning historical monuments etc. was given to disadvantage group and were provided with food grains. This scheme later in 2001 revamped into National food for work programme.

Pair 4 is correct: In 1995, during P.V. Narsimha Rao government, National Social Assistance programme (NSAP) was launched. It represents a significant step towards the fulfilment of the **Directive Principles of State Policy under article 41 and 42 enshrined in the Constitution** of India which encourage the State to undertake number of welfare measures. The National Social Assistance Programme (NSAP) then comprised of

1. National Old Age Pension Scheme (NOAPS),
2. National Family Benefit Scheme (NFBS) and
3. National Maternity Benefit Scheme (NMBS).

These programmes target at providing social assistance benefit to the widows, destitute, aged, the BPL households in the case of death of the primary breadwinner and for maternity. It ensures minimum national standards in addition to the benefits that the States were then providing or would provide in future.

5. Solution: (c)

Exp) Option c is the correct answer.

The poverty line refers to the limit according to the government standards below which one is classified as poor. In India, Tendulkar Committee has formulated a new poverty line in (2004-2005). According to this, **uniform poverty line basket for rural and urban areas of each state has been defined.**

On the basis of income and consumption, poverty is classified into **Absolute poverty and Relative poverty.**

Statement 1 is incorrect: Absolute poverty is when household income is below a certain level. This makes it impossible for the person or family to meet basic needs of life including food, shelter, safe drinking water, education, healthcare, etc.

Statement 2 is incorrect: Relative poverty is the condition in **which people lack the minimum amount of income needed in order to maintain the average standard of living in the society** in which they live. Relative poverty is defined relative to the members of a society and, therefore, differs across countries. People are said to be impoverished if they cannot keep up with the standard of living as determined by society.

Relative poverty also changes over time. As the wealth of a society increases, so does the amount of income and resources that society deems necessary for proper living conditions.

6. Solution: (d)

Exp) Option d is the correct answer.

Option a is incorrect: Structural unemployment is long-lasting unemployment that comes about due to shifts in an economy. This type of unemployment happens because though jobs are available, there's a mismatch between what companies need and what available workers offer.

Option b is incorrect: A generally accepted way to define informal employment is by considering individuals (and their employers) who engage in productive activities that are not taxed or registered by the government. Though this type of work has always existed—picture the fruit vendor at the farmers' market who only accepts cash for payment—the expansion of online platforms that facilitate these arrangements has increased their visibility and fueled their popularity.

Option c is incorrect: Disguised unemployment is also known as hidden unemployment; this refers to a situation where labour that is employed in a job is not actually utilised to produce goods and services. In other words, such employment does not contribute to the output of an economy and is thus akin to a form of unemployment. Sometimes disguised unemployment could simply be a form of underemployment wherein the skills of a labour force are not utilised to their full capacity. In many other cases, however, such unemployment could simply be due to the lack of other alternative avenues of production where the surplus labour could be employed profitably.

Option d is correct: Casualisation of work force is a process in which **employment shifts from a full-time and permanent positions to casual or contract positions.** The distribution of workforce in different sectors indicates that over the last five decades (1972-2018), people have moved from self-employment and regular salaried employment to casual wage work.

7. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct. The poverty gap is the ratio by which the mean income of the poor falls below the poverty line. The poverty line is defined as half the median household income of the total population. The poverty gap helps refine the poverty rate by providing an indication of the poverty level in a country.

Statement 2 is correct: The intensity of poverty measures the average proportion of deprivations which is experienced by multidimensionally poor individuals. To compute intensity, the weighted deprivation scores of all poor people are summed and then divided by the total number of poor people. The intensity of poverty makes it possible to see how far the living standard of the poor population is from the poverty line.

Statement 3 is correct: A poverty trap refers to an economic system in which it is difficult to escape poverty. A poverty trap is not merely the absence of economic means. It is created due to a mix of factors, such as access to education and healthcare, working together to keep an individual or family in poverty.

8. Solution: (d)

Exp) Option d is the correct answer.

Statement a is *incorrect*: The Kuznets curve is a hypothetical curve that graphs economic inequality against income per capita over the course of economic development (which was presumed to correlate with time). **It is used to demonstrate the hypothesis that economic growth initially leads to greater inequality, followed later by the reduction of inequality.** The idea was first proposed by American economist Simon Kuznets.

Statement b is *incorrect*: It shows the **relationship** between **inflation and unemployment** in an economy.

Statement c is *incorrect*: Lorenz Curve was developed by Max O. Lorenz in 1905 for representing wealth distribution. **It is a graphical representation of the distribution of income or wealth within a population.** It shows percentiles of the population against cumulative income or wealth of people at or below that percentile. Lorenz curves, along with their derivative statistics, are widely used to measure inequality across a population.

Statement d is correct: Phillipe curve says that inflation and unemployment levels in an economy are inversely related. This means that when inflation is high, there is low unemployment (as there is higher demand spurring higher investment and hiring by firms) and vice versa

Understanding the Phillips curve in light of consumer and worker expectations, shows that **the relationship between inflation and unemployment may not hold in the long run**, or even potentially in the short run.

9. Solution: (b)

Exp) Option b is the correct answer

Pair 1 is correctly matched. The Task Force on "Projections of Minimum Needs and Effective Consumption Demand" headed by Dr. Y. K. Alagh (1979), recommended the **calorie norm of 2400 kcal per capita per day in rural areas and 2100 kcal per capita per day in urban areas for defining the poverty line.**

Pair 2 is correctly matched. The Lakdawala Committee disaggregated the poverty line into **state specific poverty lines** to reflect the differences among different states. It suggested **use of CPI-IW and CPI-AL to update the state specific poverty lines** instead of the National Account Statistics.

Pair 3 is incorrectly matched. The poverty line basket for rural and urban areas was unified into one single poverty line basket by the Tendulkar Expert Group (2009).

The Rangarajan Committee specifically recommended reverting back to the practice of **separate poverty line basket for rural and urban areas.**

10. Solution: (c)

Exp) Option c is the correct answer.

Statement a is correct: Dome-shape or **bell-shaped pyramid** is seen in countries like India, Bangladesh, Mexico and Brazil that are witnessing demographic dividend phase. The population growth rates decline and life expectancy increases and becomes about 70 years. Lower- middle portion slightly bulges out and the shape of the pyramid resembles dome or bell.

Statement b is correct: Demographic Dividend is the result of **decline in a country's mortality and fertility** and the subsequent change in the age structure of the population.

Statement c is incorrect: Demographic dividend **is not conducive** when dependency ratio is high. Demographic dividend is a **window of opportunity** when share of the **working age population** between 15 and 64 years of age increases and share of children and elderly people age group decreased. Thus, changes in the age structure due to the demographic transition **lower the 'dependency ratio'**.

Statement d is correct: Demographic Dividend is a **demographic and economic concept**. It refers to an accelerated economic growth that a nation experiences once in a lifetime. It occurs when working age population grows at a faster pace than dependent population, provided that government **policies and institutions** are conducive to create employment opportunities for an expanding labour force.

11. Solution: (b)

Exp) Option b is the correct answer.

Statements 2, 3 and 4 are correct and statement 1 is *incorrect*: Tendulkar committee (2009) was chaired by Suresh Tendulkar and gave the following recommendations -

- A shift **away** from calorie consumption-based poverty estimation
- A **uniform poverty line basket** (PLB) across rural and urban India
- **Incorporation** of private expenditure on **health and education** while estimating poverty.
- The Committee recommended using **Mixed Reference Period** based estimates, as opposed to Uniform Reference Period based estimates that were used in earlier methods for estimating poverty.
- A change in the price adjustment procedure to correct spatial and temporal issues with price adjustment

Incorporation of private expenditure on health and education while estimating poverty

12. Solution: (a)

Exp) Option a is the correct answer

Unemployment is when a person who's actively seeking employment can't find work — but its effects go beyond any one individual looking for a job. Unemployment also has implications for families, employers, and the economy. There are several kinds of employment.

Pair 1 is incorrect: Frictional unemployment is the **result of people voluntarily leaving their jobs. People who've resigned from their jobs and graduates seeking their first jobs** need time to find employment, leaving them unemployed in the interim. Looking for a job, seeking a replacement employee, and finding the right employee for a job take time, but frictional unemployment isn't necessarily bad. This type of unemployment usually is short term, and it's present even in a healthy economy as people leave their jobs to seek new opportunities. **Job loss due to automation would not fall under frictional unemployment.**

Pair 2 is incorrect: Fundamental changes in the economy and labor markets, such as evolving technology, government policies, and competition, can create structural unemployment. This means that while jobs are available, the people who could fill those roles either don't have the right skills for them or aren't in the right location. **Examples would include job loss due to automation. Unemployment in skiing resort in summer** months would an example of **seasonal unemployment.**

Pair 3 is correct: The **term "cyclical unemployment" refers to the variation in the number of unemployed workers during cycles of economic strength and weakness.** When demand for a product or service declines, production also goes down. This creates less need for employers to hire people who are looking for jobs, causing the unemployment rate to increase. **During the early stages of the COVID-19 pandemic, for example, people were confined to their homes, leading many businesses to shut down.** During this economic downturn, many employees of those businesses weren't needed and were left unemployed. **The financial crisis of 2008 is an example of cyclical unemployment.**

13. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: Informal economy is part of the market economy, meaning it produces goods and services for sale and profit. The informal economy, comprising activities that have market value and **would add to tax revenue and GDP,** if they were recorded.

Statement 2 is correct: The informal sector is largely characterized by several qualities:

1. **Skills gained outside of a formal education**
2. **Easy entry (meaning anyone who wishes to join the sector can find some sort of work which will result in cash earnings)**
3. **Lack of stable employer-employee relationships**
4. Small scale of operations

Statement 3 is correct: The dominance of the informal sector has emerged as a key characteristic of India's labour market landscape. **While the informal sector produces almost half of the country's GDP,** its employment domination is such that more than 90% of the overall workforce is employed in the informal economy.

14. Solution: (a)

Exp) Option a is the correct answer.

India's U-WIN portal is a digital upgrade to the Universal Immunisation Programme (UIP). It acts as a central registry, allowing parents to track children's vaccinations, healthcare workers to manage sessions, and the government to plan effectively. This aims to improve immunization coverage and ensure all children receive life-saving vaccines. It was announced in Interim Budget 2024-25.

Statement 1 is correct: U-WIN aims to digitize Mission-Indradhanush. U-WIN aims to transform the traditional paper-based records of immunization into a digital format, making it easier to track and manage immunization schedules and coverage.

Statement 2 is incorrect: For both pregnant women and children, a vaccine acknowledgement and immunisation card linked to ABHA ID (Ayushman Bharat Heath Account) will be generated. Thus, digitalization of immunization of both children and mothers is available on U-WIN portal. Hence it would be incorrect to say that the portal's exclusive focus is on the digitalization of immunization of children.

15. Solution: (d)

Exp) Option d is the correct answer,

Statement 1 is correct. National Skill Development Corporation **(NSDC) is a not-for-profit public limited company** incorporated on July 31, 2008, under section 25 of the Companies Act, 1956 (corresponding to section 8 of the Companies Act, 2013).

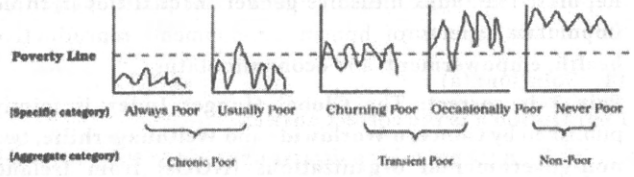
Statement 2 is correct. NSDC was set up by Ministry of Finance as Public Private Partnership (PPP) initiative. The Government of India through Ministry of Skill Development & Entrepreneurship (MSDE) holds 49% of the share capital of NSDC, while the private sector has the balance 51% of the share capital.

Statement 3 is correct. NSDC aims to promote skill development by catalyzing the creation of large, quality and for-profit vocational institutions. Further, the organization provides funding to build scalable and profitable vocational training initiatives. Its mandate is also to enable a support system that focuses on quality assurance, creating information systems and training the trainer academies directly or through partnerships. NSDC acts as a catalyst in skill development by providing funding to enterprises, companies and organizations that provide skill training. It also develops appropriate models to enhance, support and coordinate private sector initiatives. The differentiated focus

on 37 sectors under NSDC's purview and its understanding of their viability will make every sector attractive to private investment.

16. Solution: (b)

Exp) Option b is the correct answer.



For defining poverty, we divide people into two categories; the poor and the non-poor and the poverty line separates the two. Among many ways, one way to categorize poor is – Chronic Poor, Transient Poor and Non-Poor.

Option a is incorrect. Escalating poor are those individuals or households whose poverty status worsens over time, often due to factors such as rising living costs, persistent unemployment, or health crises. They experience a gradual decline in their economic well-being.

Option b is correct. Churning poor refers to individuals or households who repeatedly move in and out of poverty over time. They experience cyclical or recurrent episodes of poverty, alternating with periods of temporary improvement in their economic status.

Option c is incorrect. Stable poor refers to individuals or households who consistently remain in poverty over an extended period without significant fluctuations in their economic status. They do not experience significant improvements or deteriorations in their poverty status over time.

Option d is incorrect. Working poor are those Individuals who are employed but earn incomes insufficient to meet their basic needs or escape poverty. They often work in low-paying jobs with limited benefits or job security, such as informal sector employment or part-time work.

17. Solution: (c)

Exp) Option c is the correct answer.

The **Anusandhan National Research Foundation (ANRF)** has been established in accordance with the recommendations of the **National Education Policy (NEP).** ANRF's objective is to initiate, nurture, and advance research and development (R&D), fostering a culture of innovation and research across universities, colleges, research institutions, and R&D laboratories throughout India. It seeks to regulate all research and development in the fields of natural sciences establishments in India.

Statement 1 is correct: The Anusandhan National Research Foundation (ANRF) has been established with **Anusandhan National Research Foundation (ANRF) Act, 2023.** It is thus a **statutory body**. The Act also repeals the Science and Engineering Research Board (SERB) Act, 2008 and dissolves the SERB.

Statement 2 is incorrect: The **Department of Science and Technology (DST) is the administrative Department of NRF** (not the Ministry of Education) which will be governed by a Governing Board consisting of eminent researchers and professionals across disciplines. ANRF will be governed by a Governing Board. **The ANRF Governing Board's ex-officio President is the Prime Minister, and the ex-officio Vice-Presidents are the Union Minister of Science & Technology and the Union Minister of Education.** NRF's operations will be overseen by an Executive Council led by the Principal Scientific Adviser to the Government of India.

Statement 3 is correct: ANRF will act as an apex body to provide high-level **strategic direction of scientific research** in the country as per recommendations of the National Education Policy (NEP), at a total estimated cost of Rs. 50,000 crores during five years (2023-28).

18. Solution: (c)

Exp) Option c is the correct answer.

Statement a is incorrect: Social overhead capital is fundamentally aimed at benefiting society as a whole rather than primarily serving the interests of private businesses and investors. It encompasses investments that contribute to the overall well-being of the community and are not limited to profit-driven motives.

Statement b is incorrect: While physical infrastructure like roads and bridges can be part of social overhead capital, it is not limited to these structures alone. Social overhead capital **also includes non-physical infrastructure, such as healthcare systems, educational institutions,** and other services that improve the quality of life and well-being of a society.

Statement c is correct: SOC comprises investments in various forms of infrastructure and services that have the overarching goal of enhancing the overall welfare of a community or society. Examples of such investments include educational facilities, healthcare systems, public transportation, and more, all of which serve the broader interests of the population.

Statement d is incorrect: SOC can involve investments made by both the public and private sectors. While government-funded projects are a significant part of social overhead capital, private enterprises and non-governmental organizations can also contribute to such investments. **It's not limited to government ownership but is more about the societal impact and benefits.**

19. Solution: (d)

Exp) Option d is the correct answer.

Human capital formation refers to the process of **increasing the productive capabilities and skills of the population** through investments in education, training, healthcare, and other factors that contribute to individuals' abilities to contribute to economic productivity and societal development. It is a crucial concept in economics and development studies, emphasising the importance of human resources as drivers of economic growth and progress.

Option 1 is correct: On-the-Job Training: This involves providing training and skill development opportunities to individuals while they are employed. On-the-job training programs help workers **acquire new skills, improve existing ones, and adapt to changing job requirements.** By enhancing the skills and productivity of workers, on-the-job training contributes to human capital formation.

Option 2 is correct: Investments in Health: Investing in health includes initiatives such as healthcare facilities, wellness programs, and public health interventions. Good health is a crucial component of human capital as it directly impacts individuals' ability to learn, work, and contribute effectively to the economy. **Healthy individuals are more productive, have higher levels of cognitive function,** and are better equipped to participate in the workforce.

Option 3 is correct: Migration: Migration, particularly skilled migration or mobility for educational purposes, can contribute significantly to human capital formation. When individuals move to areas with better educational or employment opportunities, **they can access higher-quality education, training, and work experiences** that enhance their skills and knowledge. This process **leads to the accumulation and formation of human capital.**

Option 4 is correct: Promoting Information access: Promoting information refers to efforts aimed at increasing access to information, knowledge, and educational resources. This can include policies and programs that support education, technology dissemination, access to libraries and online resources, and initiatives to improve digital literacy. **By promoting information, individuals can acquire knowledge and skills essential for personal development, employment, and overall human capital enhancement.**

20. Solution: (b)

Exp) Option b is the correct answer.

Engel's Law is an economic theory put forth in 1857 by **Ernst Engel**, a German statistician.

Option b is correct: Engel's Law is a theory in economics that says as people earn more money, they **spend less percentage of it on food items and spend more on better items like health and education or luxury items or things.** This shows how spending habits change as income increases, with people focusing more on improving their lifestyle and buying non-essential things.

21. Solution: (a)

Exp) Option a is the correct answer.

Global reports on socio-economic factors like **gender equality, hunger,** and **education** play a crucial role in highlighting **global disparities** and **progress.** They serve as **benchmarks for policymakers, researchers,** offering **data-driven insights** into where efforts need to be intensified.

Pair 1 is incorrect: The **Global Gender Gap Index** is published by the **World Economic Forum (not by United Nations Development Programme).** It **assesses countries** based on their **progress towards gender equality** in **four areas: economic participation and opportunity, educational attainment, health and survival,** and **political empowerment.**

Pair 2 is incorrect: The **Gender Inequality Index** is released by the **United Nations Development Programme (not by World Economic Forum)** as **part** of its **Human Development Reports.** The **index** measures **gender inequalities** in **three important aspects** of human development: **reproductive health, empowerment,** and **economic status.**

Pair 3 is correct: The **Global Hunger Index** is jointly published by **Concern Worldwide** and **Welthungerhilfe,** two **non-governmental organizations (NGOs) from Ireland and Germany.** The report **tracks hunger at global, regional, and national levels.** The GHI is calculated annually, and its results are published in a report in October each year.

Pair 4 is incorrect: The **Global Education Monitoring Report** is released by **the United Nations Educational, Scientific and Cultural Organization (not by the Organization for Economic Cooperation and Development).** It **monitors progress** towards the **education targets in the UN's Sustainable Development Goals,** providing an authoritative and comprehensive review of the state of education in the world.

Important Tips

1) Global Financial Stability Report – Published semi-annually by the International Monetary Fund (IMF), this report assesses global financial markets and identifies potential weaknesses that could lead to crises.
2) World Economic Outlook – Published by the IMF, this report includes the World Economic Outlook Update in January 2024, which discusses moderating inflation and steady growth.
3) Global Risks Report – Published by the World Economic Forum (WEF), this report explores the most severe risks we may face over the next decade.

22. Solution: (b)

Exp) Option b is the correct answer.

Right to Education (RTE) Act, 2009 enforces education as a Fundamental Right given under Article 21 that aims to provide primary education to all children aged 6 to 14 years.

Statement 1 is correct: The 86th Constitution Amendment Act, 2002 requires the State to provide free and compulsory elementary education to all children. The Right of Children to Free and Compulsory Education Act, 2009 seeks to give effect to this Amendment. It provides that all children between the ages of six and 14 years shall have the right to free and compulsory elementary education in a neighborhood school.

Statement 2 is incorrect: In 2009, a new rule was introduced under **Section 16 of the Right of Children to Free and Compulsory Education (RTE) Act, 2009** which states that **no child admitted in a school shall be held back in**

any class or expelled from school till the completion of elementary education. However, **the "no detention policy" was removed under The Right of Children to Free and Compulsory Education (Amendment) Act, 2019** and states that **a regular examination will be held in class 5 and class 8 at the end of every academic year.** If a child fails the examination, he will be given additional instruction, and the opportunity for a re-examination within two months from the declaration of the result.

Statement 3 is incorrect: RTE Act required government schools to provide free and compulsory education to all admitted children in neighbourhood school. But **Supreme Court in TMA Pai Foundation vs State of Karnataka (2002) ruled that the 2009 Act shall not apply to minority schools** since they are protected by Article 30(1). All minorities have the right to establish and administer educational institutions of their choice.

Statement 4 is correct: Section 28 of the **Right of Children to Free and Compulsory Education Act (RTE) of 2009 prohibits government teachers from engaging in private tuition.**

23. Solution: (d)

Exp) Option d is the correct answer.

The Multidimensional Poverty Index (MPI) is a globally recognized comprehensive measure that captures poverty in multiple dimensions beyond monetary aspects. The National Multidimensional Poverty Index: Baseline Report was prepared by NITI Aayog in consultation with 12-line Ministries and State governments. Oxford Policy and Human Development Initiative (OPHI) and United Nations Development Programme (UNDP) have provided technical inputs.

India's national MPI captures multiple and simultaneous deprivations faced by households across the three macro dimensions of health, education and living standards. The National MPI are measured based on 12 indicators. Based on the assessment,

Statement 1 is correct: A household is considered deprived if it has no electricity.

Statement 2 is correct: A household is considered deprived if no household member has a bank account or a post office account.

Statement 3 is correct: A household is considered deprived if it does not have access to improved drinking water or safe drinking water is at least a 30-minute walk from home (as a round trip).

Statement 4 is correct: A household is considered deprived if it cooks with dung, agricultural crops, shrubs, wood, charcoal or coal.

Dimension	Indicator	A Household is Considered Deprived If	Weight
Health (1/3)	Nutrition	Any child between the ages of 0 to 59 months, or woman between the ages of 15 to 49 years, or man between the ages of 15 to 54 years -for whom nutritional information is available is found to be undermourished.	1/6
	Child-Adolescent Mortality	A child/adolescent under 18 years of age has died in the family in the five-year period preceding the survey.	1/12
	Maternal Health	Any woman in the household who has given birth in the 5 years preceding the survey, has not received at least 4 antenatal care visits for the most recent birth or has not received assistance from trained skilled medical personnel during the most recent childbirth..	1/12
Education (1/3)	Years of Schooling	Not even one member of the household aged 10 years or older has completed six years of schooling.	1/6
	School Attendance	Any school-aged child is not attending school up to the age at which he/she would complete class 8.	1/6
Standard of Living (1/3)	Cooking Fuel	A household cooks with dung, agricultural crops, shrubs, wood, charcoal or coal.	1/21
	Sanitation	The household has unimproved or no sanitation facility or it is improved but shared with other households.	1/21

Standard of Living (1/3)	Drinking Water	The household does not have access to improved drinking water or safe drinking water is at least a 30-minute walk from home (as a round trip).	1/21
	Electricity	The household has no electricity.	1/21
	Housing	The household has inadequate housing: the floor is made of natural materials, or the roof or wall are made of rudimentary materials.	1/21
	Assets	The household does not own more than one of these assets: radio, TV, telephone, computer, animal cart, bicycle, motorbike, or refrigerator, and does not own a car or truck.	1/21
	Bank Account	No household member has a bank account or a post office account.	1/21

24. Solution: (d)

Exp) Option d is the correct answer.

Employment elasticity, measured as the ratio of growth rate in employment to that in GDP, has also consistently declined.

"Low employment elasticity" refers to a situation where changes in economic growth or output result in only marginal changes in employment levels. In other words, it indicates that the rate at which employment responds to changes in economic activity is relatively low.

Option a is incorrect: Increasing incidence of disguised unemployment in an economy, doesn't directly affect the elasticity calculation, but it can be a consequence of low elasticity.

Option b is incorrect: Increase in informalization of workforce in an economy, can be a result of low elasticity. This can be due to slow economic growth or rigid labor regulations in the formal sector.

Option c is incorrect: Reduction in the number of employment opportunities created due to technological advancement in an economy, this is a contributor to low elasticity, but it might not be the most relevant here.

Option d is correct: An employment elasticity of 1 implies **that with every 1 percentage point growth in GDP, employment increases by 1%.** The low employment elasticity indicates that the employment opportunities in an economy increase by less than one percent for every one percent growth in the economy. For example, the Jobless growth **means that the high growth in GDP did not accompany a similar growth in employment**, resulting in a low Employment Elasticity.

25. Solution: (b)

Exp) Option b is the correct answer.

Option b is correct: The Palma ratio is a measure of income inequality within a nation.

1) The Palma ratio is the share of all income received by the 10% people with highest disposable income divided by the share of all income received by the 40% people with the lowest disposable income.
2) A higher Palma ratio indicates greater inequality, as it suggests that the top 10% holds a larger share of income or wealth compared to the bottom 40%.

26. Solution: (c)

Exp) Option c is the correct answer.

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development:

1) a long and healthy life,
2) being knowledgeable and
3) having a decent standard of living
4) The HDI is the geometric mean of normalized indices for each of the three dimensions.
5) The health dimension is assessed **by life expectancy at birth. Hence, option 1 is correct.**
6) The education dimension is measured by
   a. **Mean of years of schooling** for adults, aged 25 years and more. **Hence, option 3 is correct.**
   b. **expected years of schooling** for children of school entering age. **Hence, option 4 is correct.**
7) The standard of living dimension is measured by **gross national income per capita. Hence, option 5 is correct.**

The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GNI. The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean. By taking the logarithm of income, the HDI gives less weight to higher levels of income and more weight to lower levels of income. This adjustment reflects the fact that increasing income from very low levels can have a more significant impact on human development outcomes compared to increasing income from already high levels.

option 2 is incorrect. Political Empowerment, which analyzes **women's participation in political processes,** is calculated **in Gender Gap Index and not in Human Development index.**

27. Solution: (b)

Exp) Option b is the correct answer.

The **National Food Security Act (NFSA) of 2013,** enacted on July 5, 2013, represents a significant shift towards a rights-based approach to food security from a welfare perspective. Under the Act, up to 75% of the rural population and 50% of the urban population are legally entitled to receive subsidised food grains through the Targeted Public Distribution System (T-PDS). This means that approximately two-thirds of the population benefits from highly subsidized food grains. Additionally, as a measure of women's empowerment, the eldest woman aged 18 years or above is designated as the head of the household for issuing ration cards under this Act.

Statement 1 is incorrect: Identification of beneficiaries/ households under NFSA is done by respective State/UT Government, which is required to frame its own criteria.

Statement 2 is correct: Foodgrains under NFSA were to be made available at subsidized prices of Rs. 3/2/1 per kg for rice, wheat and coarse grains respectively for an initial period of three years from the date of commencement of the Act (July 13, 2013). Thereafter, prices were to be fixed by the Central Government from time to time, but not exceeding MSP. Government has decided from time to time to continue the above-mentioned subsidized prices.

Statement 3 is correct: The NFSA includes provisions for **providing a food security allowance** to entitled individuals if they do not receive their entitled food quantities from the Public Distribution System (PDS). **In the case of non-supply of food grains, households will receive a food grain security allowance from the concerned State Government to be paid to each person**, within such time and manner as may be prescribed by the Central Government.

28. Solution: (a)

Exp) Option a is the correct answer.

The official poverty line in India is calculated by the NITI Aayog based on the recommendations of expert committees. The current methodology for poverty estimation is based on the recommendations of an **Expert Group to Review the Methodology for Estimation of Poverty (Tendulkar Committee)** established in 2005.

Statement-I is correct: In India, the **estimation of the poverty line** is indeed based on the **consumption expenditure of households.** The poverty line is determined by analysing the consumption patterns and expenditure levels necessary to meet basic needs.

Statement II is correct: In India, assessing consumption expenditure is often considered easier compared to assessing the income level of people for several reasons:

1. Consumption patterns can be directly observed or tracked through surveys and expenditure data, making it more straightforward to measure.
2. **Income levels can vary significantly as there is large share of population involved in informal employment**, irregular income, self-employment, etc., which can be challenging to accurately assess.
3. People may underreport or misreport their income levels due to various reasons, including tax implications, social stigma, or lack of documentation, leading to potential inaccuracies in income-based assessments.

Statement-I notes that poverty line estimation in India hinges on consumption expenditure, representing essential spending patterns. **Statement-II explains** this by highlighting the simplicity of assessing consumption expenditure compared to income levels, which can be complex and prone to reporting errors, particularly with informal incomes. These statements collectively emphasise the practicality and reliability of using consumption expenditure as a basis for poverty line estimation.

29. Solution: (c)

Exp) Option c is the correct answer.

There are various reports on the education sector in India from different organizations.

Pair 1 is correctly matched: NITI Aayog releases the **School Education Quality Index (SEQI)** report. SEQI was created to assess States and Union Territories (UTs) in terms of their performance within the school education sector. The objective is to shift educational policies towards outcomes, offering States and UTs an opportunity to pinpoint their areas of strength and weakness, enabling them to make necessary adjustments or policy interventions.

Pair 2 is incorrectly matched: The **State of the Education Report for India** is typically released by **UNESCO,** not UNICEF. This publication is the annual flagship report of the UNESCO New Delhi Office and is based on extensive research.

Pair 3 is correctly matched: The **Annual Status of Education Report (ASER) is released by Pratham,** an NGO working in the education sector in India. The ASER 2023 report, titled "Beyond Basics," shifts its focus to rural youth aged 14 to 18 years, a group of students also highlighted in the ASER 2017 report.

Pair 4 is correctly matched: The **All-India Survey on Higher Education (AISHE) is** released by the **Ministry of Education** in India. All India Survey on Higher Education (AISHE) has been released since 2010-11. The survey covers all the Institutions in the country engaged in imparting higher education. Data is being collected on several parameters such as teachers, student enrolment, programmes, examination results, education finance, infrastructure etc.

Knowledge Base: **National Achievement Survey (NAS):** The Government of India conducts the National Achievement Survey (NAS) every three years, targeting students in grades III, V, VIII, and X. The most recent NAS, held on November 12, 2021, assessed students' progress and learning competencies to gauge the overall health of the education system. NAS serves as an indicator for identifying areas needing improvement and guides remedial actions across different education levels.

30. Solution: (c)

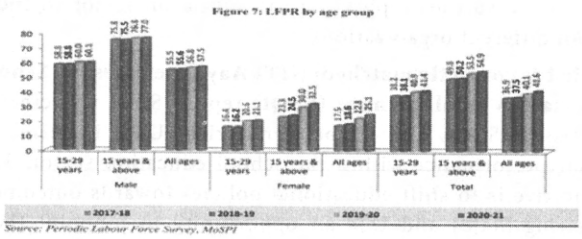
Exp) Option c is the correct answer.

The **labor force** of a country consists of individuals who are **either employed or actively seeking employment.**

It excludes those who are **not willing to work or not participating in economic activities.** Thus, the Labour force is defined as the total persons working (or employed) and seeking or available for work (or unemployed).

Options 1 and 2 are correct: An individual aged above 68 years or working individual aged 16 years are both employed so they will be part of the Labour force.

In some countries they have adopted non-standard upper-age limits for inclusion in the labour force, with a cut-off point of 65 or 70 years. But that is not the case in India. In India it simply mentions 15 and above. Refer to below graph which shows labour force participation rate of different age groups.



Option 3 is correct: Individuals actively seeking employment (pursuing job opportunities) are **considered part of the labor force** even if they are unemployed, as they are available for work and contributing to the labor market.

Option 4 is incorrect: Students, rentiers, pensioners, recipients of remittances, beggars, infirm or disabled persons, persons too young to work are considered out of the labour force.

Thus, **a retired individual receiving pension will not be part of the labour force.**

31. Solution: (a)

Exp) Option a is the correct answer.

Pair 1 is incorrectly matched: U-WIN platform is **not a telemedicine service**. It is a **digital immunization registry** developed to streamline India's **Universal Immunization Program (UIP)**. It helps track vaccinations, maintain digital records, and ensure timely immunization for children and pregnant women. This user-friendly platform enables seamless access to immunisation records, flexible scheduling, and 'Anytime Access' and 'Anywhere' vaccination. Beneficiaries can self-register via the web portal or mobile app, track schedules, and receive SMS reminders for upcoming doses.

Pair 2 is incorrectly matched: E-Sanjeevani is not related to immunization. It is India's **telemedicine platform**, facilitating **online medical consultations** between doctors and patients. It enables remote healthcare access, reducing the need for physical visits, especially in rural and underserved areas.

Pair 3 is correctly matched: Tele **MANAS (Tele Mental Health Assistance and Networking Across States)** was introduced as a toll-free helpline (14416) available nationwide, **offering a wide range of mental health services.** Through this digital platform, individuals can access telephone-based counselling, psychotherapy, psychiatric consultations, and referral services, including urgent care, without the barriers of distance or cost.

32. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: To strengthen the Early Childhood Care and Education (ECCE) landscape, the government launched the National Curriculum for ECCE, Aadharshila, and the National Framework for Early Childhood Stimulation, Navchetana. "**Navchetana**- National Framework for Early Childhood Stimulation for Children from Birth to Three Years, 2024" and "**Aadharshila** - National Curriculum for Early Childhood Care and Education for Children from Three to Six Years 2024" are two **curriculum frameworks** launched by the Ministry of Women and Child Development under Poshan Bhi Padhai Bhi programme.

- Navchetana focuses on holistic development for children from birth to three years, offering 140 age-specific activities through a 36-month stimulation calendar.
- Aadharshila promotes play-based learning with over 130 activities for children aged three to six years that support child-led and educator-led learning. It aims to lay a strong foundation for lifelong learning, aligning with the National Curriculum Framework for Foundational Stage 2022 (NCF-FS) and improving the quality of Early Childhood Care and Education (ECCE).

33. Solution: (c)

Exp) Option c is the correct answer.

Option c is correct: Engles' pause is a **phase where firms reap the benefits of new technology while real wages stagnate.** It is a period when the wages of the workers remained stagnant while economic output grew rapidly. It refers to the fifty-year period in the nineteenth-century Industrial Revolution in the U.K. when workers' wages were flat despite increased productivity from automation.

It was recently seen in the news in the context of adoption of the use of Artificial Intelligence (AI) in businesses that on one hand can provide efficiency gains while on the other poses a challenge of job losses.

34. Solution: (c)

Exp) Option c is the correct answer.

Population becomes human capital when there is investment made in the form of education, training and medical care. Human capital is actually the stock of skill and productive knowledge embodied in them.

Option 1 is incorrect. Accumulation of tangible assets does not count in human capital formation as there is no direct investments being made in the humans themselves, so as to turn them from human resource to human capital-more productive and contributing to individual and societal progress. Human capital actually make use of the tangible assets like land which is not useful as it is.

Option 2 is correct. Accumulation of intangible assets like scientific wealth (which refers to the scientific progress made by a nation) are counted in human capital formation. They help in turning the large population of India, from a burden for the economy to a productive asset. Vaccines, research undertaken in various scientific endeavours and innovative technologies are examples of scientific wealth.

Option 3 is correct. Education of the population is a part of human capital formation. Investment in human capital through education yields a return just like investment in physical capital. This can be seen directly in the form of higher incomes earned because of higher productivity of the more educated or the better trained persons.

Option 4 is correct. On the job training of human resource is a part of human capital formation. They turn the human resource to productive human capital, with better skills, who are more efficient in doing their work.

35. Solution: (b)

Exp) Option b is the correct answer.

A **Voluntary Retirement Scheme (VRS), also known as the golden handshake**, is a mechanism offered by organisations that allows eligible employees to retire earlier than their stipulated retirement age. It is a mutually agreed-upon arrangement between the employer and employee.

A considerable amount is to be paid to an employee ex-gratia besides the terminal benefits in case he/she opts for voluntary retirement under the Scheme and his option is accepted. The amount is paid not for doing any work or rendering any service. It is paid in lieu of the employee himself leaving the services of the company or the industrial establishment and foregoing all his claims or rights in the same. It is a package deal of give and take. That is why in the business world it is known as "Golden Handshake".

36. Solution: (b)

Exp) Option b is the correct answer.

Statement I is correct: In India, **poverty line estimation has traditionally been based on consumption expenditure rather than income levels.** This method, used by the **Planning Commission (now NITI Aayog)** and **National Sample Survey Office (NSSO)**, assesses **household spending on essential goods and services** such as **food, clothing, shelter, education, and healthcare**. The rationale behind this approach is that **consumption patterns provide a more reliable measure of standard of living than income, which can be inconsistent and difficult to verify.**

Statement II is correct: Poverty line is not uniform across all the states in India as the cost of living varies across states. States with higher price levels have higher poverty lines because the cost of basic goods and services is higher.

But it is not the reason why poverty line estimation in India is primarily based on consumption expenditure rather than income levels.

Statement III is correct: There are **difficulties in assessing incomes of self-employed people, daily wage laborers,** large fluctuations in income due to seasonal factors, additional side incomes, as well as, data collection difficulties faced in the largely rural and informal economy of India.

These fluctuations further make **income-based poverty measurement unreliable**, reinforcing the preference for a **consumption-based poverty estimation approach.**

Hence the answer is Option b i.e. Both Statement-II and Statement-III are correct, but only one of them explains Statement-I

37. Solution: (b)

Exp) Option b is the correct answer.

Option a is incorrect: Structural Unemployment happens when **workers' skills do not match available jobs**, often due to **technological changes or economic shifts.** In India, structural unemployment is prevalent due to rapid technological advancements and shifts in economic activities that outpace the existing workforce's skill set.

Option b is correct: Frictional Unemployment is a **short-term phase of job transition**, occurring when **workers leave jobs voluntarily to find better opportunities.** This type of unemployment is natural and indicates a dynamic labor market. In the Indian context, frictional unemployment can result from individuals relocating for better prospects, recent graduates entering the job market, or professionals seeking career advancements.

Option c is incorrect: Cyclical unemployment is caused by business cycles and hence it is called cyclical unemployment. During the depression phase of the business cycle, effective demand falls leading to accumulation of inventories. Consequently, large scale retrenchment takes place and unemployment is there.

Option d is incorrect: Disguised unemployment occurs when laborers are employed, but their contribution to output is zero. It implies that the marginal productivity of labour is zero.

38. Solution: (b)

Exp) Option b is the correct answer.

The Employees' State Insurance (ESI) Scheme is a comprehensive social insurance initiative established under the Employees' State Insurance Act, 1948. It aims to safeguard employees by providing financial protection and medical care for insured individuals and their families.

Statement 1 is incorrect: The **Employees' State Insurance (ESI) Scheme** covers factories and various establishments such as **road transport, hotels, restaurants, cinemas, newspapers, shops, and educational/medical institutions** employing **10 or more workers.** However, in certain states, the threshold for coverage remains **20 employees.** Workers in these sectors earning up to **₹15,000 per month** were originally eligible for ESI benefits. To expand coverage, the **ESI Corporation** has revised the wage ceiling, increasing it from **₹15,000 to ₹21,000 per month, not** more than ₹30,000 per month.

Statement 2 is correct: The **Employees' State Insurance (ESI) Scheme** is funded through **contributions from both**

employers and employees. As of now, covered employees **contribute 0.75% of the wages, whereas, the employers contribute 3.25% of the wages,** payable to their employees. However, employees earning less than ₹137 per day are exempted from contributing their share, ensuring financial relief for low-income workers.

Statement 3 is correct: The Employees' State Insurance Corporation (ESIC) offers financial benefit in the form of **monthly cash allowance for up to 24 months in cases of involuntary job loss** or permanent invalidity due to non-employment injury. Additionally, insured workers receive comprehensive medical benefits, including sickness benefits, maternity benefits, disability coverage, and medical treatment.

39. Solution: (a)

Exp) Option a is the correct answer.

India is planning to transition from a Minimum Wage system to a Living Wage framework by 2025, with support from the International Labour Organization (ILO) in designing and implementing the new structure. This initiative aims to enhance workers' well-being and reduce poverty, ensuring fair compensation that meets basic living standards.

Statement 1 is correct: Minimum wages have been defined as the **minimum amount of remuneration** that an employer is required to pay based on law to wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract. A living wage is a level of pay that gives workers and their families a decent standard of living. This includes being able to afford basic needs such as food, housing, healthcare, education, transport and clothing.

Statement 2 is incorrect: India currently follows a Minimum Wage system, not a Living Wage system. Minimum wages in India were governed by the Minimum Wages Act, 1948 and later subsumed under Labour codes as "Code on Wages". However minimum wages vary across states, industries, occupations, and skill levels. Wages are categorized into three skill levels—unskilled, skilled, and highly skilled. For instance, in Karnataka, the minimum wage for unskilled workers is ₹15,106 per month, while highly skilled workers receive a minimum wage of ₹18,941 per month.

40. Solution: (b)

Exp) Option b is the correct answer.

India's population is projected to age rapidly in the coming decades, with the 60-plus demographic expected to reach 13.2% by 2031 and double by 2050, as per the UN Population Fund.

The **Silver Dividend** refers to the **economic and social potential** of an aging population, emphasizing the importance of **keeping elderly individuals active and engaged** in economic, social, and familial roles. The Silver Economy, currently valued at ₹73,082 crore, is anticipated to expand significantly in the coming years.

To fully harness the benefits of the Silver Dividend, a comprehensive policy framework beyond just healthcare is crucial, ensuring opportunities for senior citizens to contribute meaningfully to society.

41. Solution: (d)

Exp) Option d is the correct answer.

The Poverty Gap Index is a widely used measure of poverty that **quantifies how far, on average, individuals fall below the poverty line and expresses this shortfall as a percentage of the poverty line.**

The poverty gap represents the average income shortfall of poor individuals relative to the poverty line. This indicator is measured across the entire population, including specific age groups like adults (18-65 years) and the elderly (65+ years). The poverty gap is zero for non-poor individuals and positive for those below the poverty line.

Unlike the poverty rate, which only counts the number of poor individuals, the poverty gap provides a clearer picture of the depth of poverty within a country. It estimates how much financial assistance would be needed to lift all poor individuals to at least the poverty line.

42. Solution: (c)

Exp) Option c is the correct answer.

The **Gini Coefficient is an indicator of economic inequality** in a country. It is a measure of income or wealth inequality within a specific population. The coefficient **varies from 'zero' to 'one'.**

A 'zero' Gini coefficient indicates a situation of perfect equality. This means every household is earning the same level of income.

A Gini coefficient of **'one' signifies a situation of absolute inequality**. This means a single household earning the entire income in an economy.

So, **when the gini coefficient increases from zero towards one, it indicates that the income or wealth inequality is increasing** in that country.

43. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: According to the Economic Survey 2024-25, the proportion of self-employed workers in the workforce has risen from 52.2% in 2017-18 to 58.4% in 2023-24. It reflects the growing entrepreneurial activity and preference for flexible work arrangements.

Statement 2 is incorrect: According to the **Annual PLFS Report 2023-24**, the trend in self-employment from **2017-18 to 2023-24** indicates the male-female share of workforce in self employment is **67.4% for females and 53.6% of males in 2023-24**. The data also highlights a steady rise in self-employment among females over the years, with a notable increase in the post-pandemic period.

Statement 3 is incorrect: The **Employees' Provident Fund (EPF)** primarily covers **salaried employees** working in establishments with **20 or more workers**, as per the **Employees' Provident Fund and Miscellaneous Provisions**

Act, 1952. Under the Act, employees earning a monthly salary of less than ₹15,000 (including basic pay and dearness allowance) are mandatorily required to enroll in EPF. Self-employed individuals who do not meet the mandatory EPF eligibility criteria but still wish to contribute can choose to enroll in the Voluntary Provident Fund (VPF).

44. Solution: (b)

Exp) Option b is the correct answer.

The Ministry of Labour & Employment, one of India's oldest and key ministries, strives to enhance the dignity and welfare of the workforce by safeguarding workers' interests and ensuring social security across both organized and unorganized sectors. The e-Shram portal, launched in August 2021, serves as a one-stop solution for unorganized workers.

Statement 1 is incorrect: The **eShram portal** was launched by the **Ministry of Labour and Employment**, not the **Ministry of Social Justice & Empowerment to recognise unorganised workers.**

Statement 2 is correct: The Ministry of Labour and Employment launched **eShram portal for creation of a comprehensive National Database of Unorganised Workers (NDUW)** seeded with Aadhaar. e-Shram portal is meant to register and support the unorganised workers by providing them a Universal Account Number (UAN) on a self-declaration basis.

Statement 3 is correct: The **e-Shram portal** registers and supports **unorganised workers** by providing a 12-digit **unique Universal Account Number (UAN)** on a **self-declaration basis**. It serves as a **one-stop solution** by integrating various **social security and welfare schemes** on a single platform, enabling workers to access **pension benefits** and track their entitlements seamlessly.

45. Solution: (c)

Exp) Option c is the correct answer.

The Unemployment Trap is **a situation where an unemployed person is getting unemployment allowance** and is **thus not encouraged to seek work/employment**. It is because his/her after-tax earnings as employed is less than the benefits as unemployed. Thus, it is a situation where people are discouraged from finding work because of unemployment benefits. People find the opportunity cost of going to work too high when one can simply enjoy the benefits by doing nothing.

Important Tips

Disguised unemployment or hidden unemployment refers to a situation where labour that is employed in a job is not actually utilised for the production of goods and services. In other words, such employment does not contribute to the output of an economy and is thus akin to a form of unemployment.

Underemployment occurs when individuals are employed in jobs that are below their skill level or provide insufficient hours of work.

46. Solution: (b)

Exp) Option b is the correct answer.

Employment elasticity measures the percentage change in employment with respect to a percentage change in GDP. A low employment elasticity means that even when the economy is growing, the **number of jobs created is not keeping pace with that growth**, leading to a situation often called "jobless growth."

Statement 1 correct: A poor education and training system directly contributes to low employment elasticity because it creates a significant "skills gap," meaning the workforce lacks the necessary skills to match the demands of the job market, leading to a situation where even when the economy grows, the available workforce isn't equipped to fill new positions, resulting in limited employment growth despite economic expansion

Statement 2 is incorrect: Higher government spending in the infrastructure activities and manufacturing sector will lead to growth of the industry which will create more employment. Now, as spending on infrastructure will have a ripple effect on numerous other industries it will thus lead to high employment elasticity.

Statement 3 is correct: When an economy heavily relies on industries that require large amounts of capital relative to labor (e.g., manufacturing with advanced machinery automation), it can lead to fewer jobs created per unit of economic growth.

47. Solution: (a)

Exp) Option a is the correct answer.

Cross-subsidization refers to a situation when higher prices are charged to one group of consumers in order to charge lower price to another group. The additional revenue generated from one group is used to tide over the revenue shortfall from other consumer groups, who are charged lesser tariff as compared to the cost of supplying goods/services to them.

Option b is incorrect. In cross-subsidization, no interchanging of benefits takes place. One group is just charged a higher price on some good/service, in order to charge the other group a lower price on the same good/service.

Option c is incorrect. There is no wrongful charging of subsidy. One group is intentionally charged a higher price on some good/service, so that the price for the same good/service can be lowered for the other group.

Option d is incorrect. In cross-subsidisation, one group gets benefits from finances collected out of the other group. As a result, one group is charged a higher price so that benefits can be given to another.

48. Solution: (d)

Exp) Option d is the correct answer.

The **Global Gender Gap Index (GGGI)**, published by the **World Economic Forum (WEF)**, measures gender disparity using **four parameters**:

1. **Economic Participation and Opportunity** – Measures labor force participation, wage equality, and senior-level job opportunities for women.
2. **Political Empowerment** – Assesses the representation of women in **parliament and ministerial positions**.
3. **Health and Survival** – Includes sex ratio at birth and life expectancy.
4. **Educational Attainment** – Evaluates literacy rates and enrollment in primary to tertiary education.

Employment Generation is **not** a parameter under the Global Gender Gap Index. While economic participation is considered, the creation of jobs (employment generation) is **not explicitly measured** in this index. The **Global Gender Gap Report 2024** reveals that **India has slipped two places**, ranking **129th out of 146 countries**, compared to **127th in 2023**.

49. Solution: (d)

Exp) Option d is the correct answer.

Pair 1 is incorrect. Infant mortality rate is the measurement of mortality in the first year of life. **Infant Mortality Rate is the number of deaths of children under 1 year of age per one thousand live births**. It is computed by the number of deaths under one year of age divided by 1000 live births in a given year.

According to the Sample Registration System, the Infant Mortality Rate (IMR) was reduced from 39 per 1000 live births in 2014 to 30 per 1,000 live births in 2019 at National Level.

The **under-five mortality rate** refers to the probability a newborn would die before reaching exactly 5 years of age, expressed per 1,000 live births.

Pair 2 is incorrect. According to the Census 2011, a person aged seven and above, **who can both read and write with understanding in any language,** is treated as literate. So, **Literacy Rate measures the proportion of literate population in the 7-and-above age group.**

Pair 3 is incorrect. The **replacement fertility rate is the average number of children a woman must have, to keep the population steady**. Total fertility rate is defined as the average number of children expected to be born per woman during her entire span of reproductive period. **Replacement level fertility is the total fertility rate at which a population exactly replaces itself** from one generation to the next, without migration.

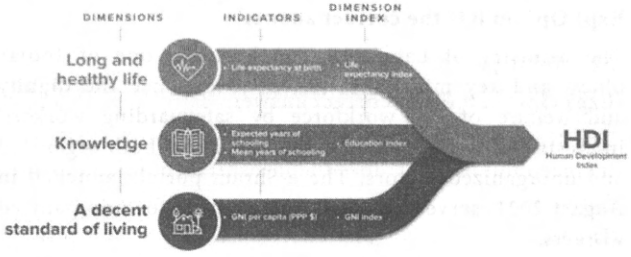
According to the National Family Health Survey-5, the Total Fertility Rate (TFR) of India has fallen below the Replacement Level. The replacement level of fertility is 2.1.

According to the National Family Health Survey-5, the Total Fertility Rate (TFR) has declined from 2.2 to 2.0 at the national level between NFHS 4 and 5.

50. Solution: (c)

Exp) Option c is the correct answer.

The Human Development Index (HDI) is a composite index developed by the United Nations Development Programme **(UNDP)** to measure and compare the social and economic development of countries. It focuses on three broad dimensions: **health, education, and standard of living.** The HDI is the geometric mean of normalized indices for each of the three dimensions.



In HDI are-

The long and healthy life dimension is assessed by **life expectancy at birth. Option 1 is correct.**

The Knowledge dimension is measured by **means of years of schooling (for adults aged 25 years and more)]Option 4 is correct] and the expected years of schooling (for children of school entering age) [Option 5 is correct].**

A decent standard of living dimension is measured by **gross national income per capita (purchasing power parity in US dollars).**

Option 2 is incorrect. Infant Mortality Rate is not directly included in the HDI. However, it indirectly affects life expectancy at birth. Infant mortality rate measures the number of infant deaths (under one year of age) per 1,000 live births in a year.

Option 3 is incorrect. Maternal Mortality Rate is also **not directly included** in the HDI. It measures the number of maternal deaths per 100,000 live births and reflects the state of maternal health, but it is not an HDI component.

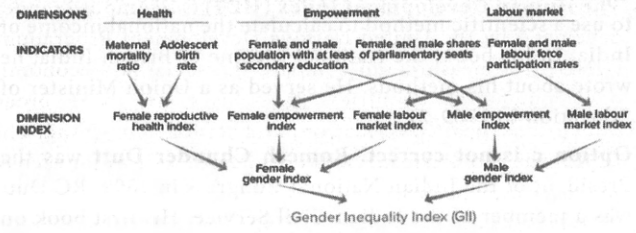
51. Solution: (b)

Exp) Option b is the correct answer

Gender Inequality Index (GII) reflects inequality in achievements between **women and men in three dimensions: reproductive health, empowerment and the labour market.**

Statement 1 is incorrect: Gender Inequality Index **(GII) is released by the United Nations Development Programme (UNDP)** (World economic Forum publishes Global Gender Gap report). GII was introduced in the 2010 Human Development Report edition by the (UNDP) and this index measures the loss of achievement within a country due to gender inequality.

Statement 2 is correct: Gender Inequality Index measures unequal achievement between men and women in **the dimension of empowerment.** Under the dimension of empowerment, **female and male shares of parliamentary seats**, female and male population with **at least secondary education** were assessed to measure gender inequality between men and women in a nation.



52. Solution: (b)

Exp) Option b is the correct answer.

The National Sample Survey Organization (NSSO), since its inception in 1950, does the measurement of employment / unemployment in India.

The National Sample Survey Organization (NSSO) provides three different estimates of employment and unemployment based on different approaches / reference periods used to classify an individual's activity status.

1. Usual Status Approach

2. Weekly Status Approach

3. Current daily status approach

Statement 1 is incorrect: Usual status approach considers those people as unemployed who had **no gainful work for a majority of time (not only one month) during the 365 days** preceding the date of survey.

Statement 2 is correct: Weekly status approach records unemployment for those who did not have gainful work even for an hour or a day of the week, preceding the date of survey.

The third approach used by NSSO is the Current daily status approach in which unemployment is recorded for a person if he/s has no gainful work even for 1 hour in a day. It uses each day of the seven days preceding date of survey as the reference period.

53. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is *incorrect.* Dome-shape or **bell-shaped pyramid** is seen in countries like India, Bangladesh, Mexico and Brazil that are witnessing demographic dividend phase. The population growth rates decline and life expectancy increases and becomes about 70 years. Lower- middle portion slightly bulges out and the shape of the pyramid resembles dome or bell.

Statement 2 is correct. Demographic dividend is seen when **working-age population** (people between 15 and 64 years of age) **has grown larger than the dependant population** — children aged 14 or below as well as people above 65 years of age.

Statement 3 is correct. To achieve the economic benefits of the demographic dividend, developing countries must substantially **lower both birth and child death rates.** With fewer births each year, a country's young dependent population declines in relation to the working-age population. With fewer people to support, a country has a window of opportunity for rapid economic growth if the right social and economic policies are developed and investments made.

54. Solution: (d)

Exp) Option d is the correct answer.

Option 1 is correct. Investment in education is considered as one of the main sources of human capital. It directly enhances the supply of a skilled and educated labour force.

Option 2 is correct. Firms incur costs for providing on-the-job training to workers. The returns from such expenditure is in the form of enhanced labour productivity. So, it is considered as a source of Human Capital formation. Expenditure regarding on-the-job training is a source of human capital formation as the return of such expenditure in the form of enhanced labour productivity is more than the cost of it.

Option 3 is correct. People migrate in search of jobs that fetch them higher salaries. Migration in search of better economic opportunities involves the cost of transport, higher cost of living in the migrated places and psychological costs of moving to a new place. The increased earnings in the new place outweigh the costs of migration hence, expenditure on migration is also a source of human capital formation.

Option 4 is correct. People spend to **acquire information relating to the labour market and other markets like education and health.** This Information is necessary to make decisions regarding investments in human capital and efficient utilisation of the human capital stock. Expenditure incurred for acquiring information relating to the labour market and other markets is thus, also a source of human capital formation.

55. Solution: (a)

Exp) Option a is the correct answer.

Unemployment is classified into different types based on its causes and characteristics. These include structural unemployment caused by skill mismatches, seasonal unemployment linked to industries with cyclical demand, and educated unemployment when individuals are unable to find jobs matching their qualifications.

Pair 1 is correctly matched: Workers at a garment factory lose jobs due to automation. This scenario is correctly matched with Structural Unemployment. Structural unemployment occurs when workers lose their jobs due to changes in the structure of the economy, such as automation or technological advancements.

Pair 2 is incorrectly matched: ski resort worker is unemployed during the summer represents **Seasonal Unemployment** since the worker is jobless due to the seasonal nature of the industry. Disguised Unemployment happens when more people are employed than required for a job, leading to inefficiency.

Pair 3 is incorrectly matched: An engineering graduate unable to find a job in their field and works part-time in a retail grocery store is an example of **Underemployment**, not seasonal unemployment. Underemployment refers to

situations where individuals are employed in roles that do not utilize their skills or provide sufficient working hours.

56. Solution: (b)

Exp) Option b is the correct answer.

Unemployment is a condition where a person is willing and is able to work but there is no work. There are different methods to measure employment and unemployment level in India such as

Labour Force Participation Rate (LFPR), Worker Population Ratio and Unemployment Rate (UR). Labor Force refers to the total working-age population that is either employed or actively seeking employment. Workforce refers to the employed population actively engaged in productive economic activities.

Statement 1 is incorrect: Worker Population Ratio (WPR) is defined as the percentage of employed persons in the total population of a country.

$$WPR = \frac{\textbf{no. of employed persons}}{\textbf{Total population}} \times 100$$

On the other hand, **the Labour Force Participation Rate (LFPR)** is defined as the percentage of persons in the labour force (i.e. working or seeking or available for work)in the population.

Statement 2 is correct: According to the recent Periodic Labour Force Survey (PLFS), **the Worker Population Ratio (WPR) for individuals aged 15 years and above has shown a consistent increase over the five-year period from 2019-20 to 2023-24,** rising from 50.9% in 2019-20 to 52.6% in 2020-21, 52.9 % in 2021-22, 56% in 2022-23, and reaching 58% in 2023-24.

Statement 3 is correct: In 2023-24, the Worker Population Ratio (WPR) for individuals aged 15 years and above stands at **62.1% in rural areas**, compared to **49.4% in urban areas**.

57. Solution: (d)

Exp) Option d is the correct answer.

Option d is correct. Dadabhai Naoroji, often referred to as the "Grand Old Man of India," was the first to discuss the concept of a Poverty Line in India. He introduced this concept in his seminal work, "Poverty and Un-British Rule in India", published in 1901. Naoroji used the diet prescribed for prisoners in India as the basis for determining the minimum subsistence level of income. He used the menu for a prisoner and **used appropriate prevailing prices to arrive at what may be called 'jail cost of living'.** He also gave the theory of 'Economic Drain' in his book 'Poverty and UnBritish Rule in India'.

Option a is not correct. Dinshaw Edulji Wacha was a founder - member of the Indian National Congress, was elected its President in 1901. He was a staunch proponent of the Drain Theory, critiquing British exploitation and advocating for economic reforms.

Option b is not correct. Professor VKRV Rao was the first to use a scientific method to calculate the national income of India. In his book, the National Income of British India, he wrote about his methods. He served as a Union Minister of Education in 1969-71.

Option c is not correct. Romesh Chunder Dutt was the President of the Indian National Congress in 1899. RC Dutt was a member of the Indian Civil Service. His first book on the economic problems of the cultivators was 'Peasantry of Bengal' which was written in 1875. His greatest works were 'India under Early British Rule, 1757 - 1837', and the 'Economic History of India in the Victorian Age'.

58. Solution: (c)

Exp) Option c is the correct answer.

The term "**casualisation of the workforce**" refers to the **shift in employment patterns** where a growing proportion of workers are **employed in temporary, part-time, or contractual positions, rather than in permanent, full-time jobs.**

This shift typically results in:

Job insecurity: Workers may not have long-term job stability or job protection.

Reduced benefits: Casual and contractual workers often lack access to benefits such as healthcare, paid leave, maternity benefit, provident fund, gratuity and pensions that are typically available to permanent employees.

59. Solution: (b)

Exp) Option b is the correct answer.

Seven sub-missions have been proposed initially to act as building blocks for achieving overall objectives of the Mission. They are:

a) Institutional Training
b) Infrastructure
c) Convergence
d) Trainers
e) Overseas Employment
f) Sustainable Livelihoods
g) Leveraging Public Infrastructure

Option 1 is correct: Overseas employment: One of the sub-missions of the National Skill Development Mission is focused on promoting overseas employment opportunities. This involves providing training and support to individuals seeking employment opportunities abroad, facilitating skill certifications, and ensuring compliance with international standards and requirements.

Option 2 is incorrect: To promote entrepreneurship and support the **development of small and medium enterprises (SMEs)** by equipping individuals with the necessary skills and knowledge is one of the **objectives of Skill India Mission not a sub mission of National Skill Development mission.**

Option 3 is correct: Leveraging of public infrastructure: One of the sub-missions of the National Skill Development

Mission is the leveraging of public infrastructure. This involves utilizing existing infrastructure and resources such as government-owned training centers, schools, colleges, and other public institutions for skill development activities.

60. Solution: (b)

Exp) Option b is the correct answer.

Demographic transition theory helps to describe and predict the future population of any area or country. The theory explains that the population of any region changes from high births and high deaths to low births and low deaths as society progresses from rural agrarian and illiterate to urban industrial and literate society which shows the different levels of economic development in a country.

The stages in 3 staged model of Demographic transition theory are:

First stage (High birth rate with high death rate) - In this initial stage, the **primary occupation is agriculture**, and larger families are considered advantageous. The majority of the **population lacks literacy** and relies on basic technology. **Life expectancy is limited by frequent epidemics and unpredictable food availability.** Consequently, this phase is characterized high birth rate and high death rate.

Second stage (High birth rate with low death rate)- In this stage, **the improvements in sanitation and health conditions lead to decline in mortality rate.** Further **in the beginning of second stage, fertility remains high**, but it declines with time. Thus, the second stage is characterised as high birth rate and low death rate.

Third stage (Low birth rate with low death rate): In the last stage, the population becomes **urbanized, literate and has high technical knowhow** and **deliberately controls the family size.** Hence, **both fertility and mortality decline considerably.**

Hence option b: 2-3-1 is the order of demographic transition

61. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correct: Human poverty refers to the **deprivation of essential capabilities** that are **necessary for a decent standard of living**, such as access to basic education, healthcare, food, and housing. It goes beyond mere income poverty and emphasizes the lack of opportunities that individuals face to live a dignified life and fulfill their potential.

Pair 2 is incorrect: Time poverty refers to the **lack of sufficient time** to **meet one's basic needs**, engage in **leisure activities**, and **participate fully in social and economic life** due to excessive work, caregiving, or other obligations.

Time poverty is particularly significant in the context of **women**, especially in developing countries. Women often face the **dual burden of paid employment and unpaid domestic labor**, leading to limited time for education, social activities, or rest. This disproportionate distribution of time leads to both physical and mental exhaustion, further limiting their opportunities for personal growth or socio-economic-political advancement.

Pair 3 is correct: Environmental poverty involves a **lack of access to clean, safe, and sustainable environmental resources, such as clean air, water, and sanitation,** which are **essential for health and overall well-being.**

This kind of poverty is often linked to areas with poor infrastructure and inadequate environmental policies, leading to widespread health issues. It impacts marginalized communities who often live in environmentally degraded areas, contributing to chronic health problems, lower life expectancy, and diminished quality of life.

62. Solution: (b)

Exp) Option b is the correct answer.

The **Global Multi-Dimensional Poverty Index** (MPI) is a composite index designed to measure poverty beyond income. It takes into account various deprivations across multiple dimensions of human well-being. The MPI is **published annually** by the United Nations Development Programme **(UNDP)** and the **Oxford Poverty and Human Development Initiative** (OPHI) at the University of Oxford.

The Global MPI uses **10 indicators** across **three dimensions**: **health, education, and standard of living.** Among the indicators listed in the question:

Child mortality (under the health dimension)

Years of schooling (under the education dimension)

Asset ownership (under the standard of living dimension)

These are **included as part of the MPI indicators.** However, **Access to a Bank account** and **Maternal health** are **not part of the MPI.**

It is important to note that while these two indicators are not part of the Global MPI, they are included in the **National Multidimensional Poverty Index (NMPI)**, which was published by **NITI Aayog.** The NMPI uses a total of **12 indicators**, 10 of which overlap with the Global MPI. The two additional indicators in the NMPI are:

Bank account (under the standard of living dimension)

Maternal health (under the health dimension).

The Three Dimensions and the 10 Indicators under Global MPI are:

- **Health:**
  - **Child Mortality** (whether any child under the age of 18 years in the household has died in the last five years)
  - **Nutrition** (whether any adult or child in the household is malnourished)
- **Education:**
  - **Years of Schooling** (whether any household member has completed at least six years of schooling)
  - **School Attendance** (whether any school-age child is not attending school)

- **Standard of Living:**
  - **Electricity** (whether the household has access to electricity)
  - **Sanitation** (whether the household has access to improved sanitation facilities)
  - **Drinking Water** (whether the household has access to clean drinking water)
  - **Housing** (whether the household has adequate materials for the floor, roof, or walls).
  - **Cooking Fuel** (whether the household uses clean cooking fuel)
  - **Asset Ownership** (whether the household owns at least one of a range of assets, such as a refrigerator, a television, etc.)

63. Solution: (c)

Exp) Option c is the correct answer.

A demographic dividend is a period of rapid **economic growth** that occurs when a country's **population age structure changes** due to a decline in fertility. This happens when the **working-age population grows faster** than the number of dependents, such as the very young and very old.

Option 1 is correct. A healthy population is essential for productivity and economic growth. Better healthcare reduces mortality rates, improves life expectancy, and ensures a physically capable workforce. It also reduces healthcare-related economic burdens on families, allowing them to invest in education and skill development. To benefit from demographic dividend it is critical for ensuring the working-age population is healthy and productive.

Option 2 is correct. Skill development aligns the workforce with the demands of modern industries. It increases **employability, income levels, and productivity,** enabling the country to harness the potential of its demographic dividend. Equipping the population with relevant skills ensures the workforce can contribute effectively to economic growth thereby benefiting from demographic dividend.

Option 3 is correct. Lower fertility rates reduce the dependency ratio (number of dependents to the working-age population). This allows families and governments to invest more in the education, health, and development of the existing population. A lower dependency ratio creates a favorable condition for economic growth, thus benefiting from demographic dividend.

Option 4 is correct. Gender equality enhances access to education and economic opportunities for women. Including women in the workforce **increases labor force participation rates and economic productivity.** It also ensures better decision-making at household and societal levels. Maximizing the potential of half the population is crucial for fully realizing the demographic dividend.

Option 5 is incorrect. Encouraging early retirement reduces the size of the productive workforce, increasing the dependency ratio and reducing economic output. It undermines the potential of the demographic dividend by prematurely exiting experienced individuals from the workforce.

64. Solution: (b)

Exp) Option b is the correct answer.

The sum total **of frictional and structural unemployment** is referred to as the natural rate of unemployment. It includes two main components:

Frictional Unemployment: This occurs when individuals are temporarily unemployed while transitioning between jobs, careers, or locations. It is a natural part of a dynamic economy, as people search for better job opportunities or enter the workforce for the first time.

Structural Unemployment: This arises when there is a mismatch between workers' skills and the requirements of available jobs, or due to long-term changes in the economy, such as technological advancements or shifts in industries.

Natural unemployment is usually the lowest level of unemployment that a healthy economy can sustain without causing inflation.

65. Solution: (b)

Exp) Option b is the correct answer.

In India, various committees have been established over the years to tackle critical socio-economic issues, including poverty. These committees play an essential role in analyzing and suggesting ways to measure poverty, determine poverty lines, and recommend policies to address it.

Option 1 is correct: Suresh Tendulkar Committee was set up **in Dec, 2005 by an expert group constituted by the Planning Commission to review methodology for poverty estimation** and to address the shortcomings of the previous methods and submitted the report in December 2009.

Option 2 is correct: The C. Rangarajan Committee was a **group formed by the Government of India in 2012 to estimate poverty levels in the country**. The committee was chaired by Dr. C. Rangarajan, a former Governor of the Reserve Bank of India and a noted economist.

Option 3 is incorrect: Mihir Shah Committee on restructuring the Central Water Commission (CWC) and the Central Ground Water Board (CGWB) was formed in 2016. The committee has suggested that an urgent overhaul of the current water management system is required in the country and recommended far-reaching reforms in the water sector.

Option 4 is incorrect: The Wanchoo Committee was a **group of experts appointed by the Government of India in 1970 to address tax evasion and black money**. The committee was chaired by Justice K.N. Wanchoo. The committee's objectives were to: Reduce tax arrears, Prevent black money and its proliferation, Curb tax avoidance.

Option 5 is correct: The Alagh Committee was a task force established by the Planning Commission in 1977 to **define poverty lines for rural and urban areas in India.** The committee was chaired by YK Alagh and submitted its

report in 1979. The committee's poverty line was based on nutritional needs and related consumption expenditures. The committee's approach was used for the first time in India's official poverty count.

66. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Physical capital refers to tangible human-made assets that are used to produce further goods and services. **Physical capital, being tangible, can be easily sold in the market like any other commodity.** Human capital is intangible; it is endogenously built in the body and mind of its owner. **Human capital is not sold in the market; only the services of the human capital are sold** and, hence, there arises the necessity of the owner of the human capital to be present in the place of production.

Statement 2 is incorrect: Both physical and human capital depreciate with time but the nature of depreciation differs between the two. **Continuous use of the machine leads to depreciation** and change of technology makes a machine obsolete. **In the case of human capital, depreciation takes place with ageing but can be reduced,** to a large extent, through continuous investment in education, health, etc. This investment also facilitates the human capital to cope with change in technology which is not the case with physical capital.

Statement 3 is correct: Nature of benefits flowing from human capital are different from that of physical capital. Human capital benefits not only the owner but also the society in general. This is called external benefit. A healthy person, by maintaining personal hygiene and sanitation, stops the spread of contagious diseases and epidemics. **Human capital creates both private and social benefits,** whereas **physical capital creates only private benefits.** That is, it benefits from a capital good flow to those who pay the price for the product and services produced by it.

67. Solution: (d)

Exp) Option d is the correct answer.

Micro-credit programmes have played a significant role in alleviating poverty, especially in rural India. These programmes, often facilitated through Self-Help Groups (SHGs), aim to provide small loans to individuals who do not have access to traditional banking services.

Option 1 is correct: Many micro-credit programmes are designed not just to **provide financial assistance but also to support skill development.** These initiatives aim to empower individuals, particularly women, by providing them with the skills needed to generate sustainable income. Skill development programs help people create or enhance small businesses, improve productivity, and increase their self-reliance.

Option 2 is correct: Microfinance institutions often relax collateral requirements, making it easier for low-income households to access credit.

Option 3 is correct: One of the most significant impacts of micro-credit programmes is their ability to increase household income. By providing small loans to rural households, these programmes enable individuals to engage in income-generating activities, such as small-scale farming, local businesses, or self-employment ventures.

68. Solution: (a)

Exp) Option a is the correct answer.

The National Education Policy 2020 proposes various reforms in school education as well as higher education including technical education. The NEP 2020 is founded on the five guiding pillars of **Access, Equity, Quality, Affordability and Accountability.**

Option 1 is correct. Regarding School Education, the National Education Policy envisages that the previous 10+2 academic structure in school education will be modified with a new pedagogical and curricular restructuring of 5+3+3+4 covering ages 3-18.

Option 2 is incorrect. NEP 2020 says **wherever possible (does not mandate),** the medium of instruction until at least Grade 5, but preferably till Grade 8 and beyond, will be the home language/mother tongue/local language/regional language. Thereafter, the home/local language shall continue to be taught as a language wherever possible. This will be followed by both public and private schools.

Option 3 is correct. PARAKH (Performance Assessment, Review, and Analysis of Knowledge for Holistic Development) is introduced under NEP 2020 to improve the **standardization of student assessments.**

Option 4 is incorrect. NEP 2020 does not mandate privatization of government schools. It emphasizes improving government schools' infrastructure and quality of education to make them competitive with private schools.

Option 5 is incorrect. NEP 2020 aims to increase the **GER to 100% in preschool to secondary level by 2030** whereas GER in **Higher Education including vocational education** from 26.3% (2018) to **50% by 2035.**

69. Solution: (d)

Exp) Option d is the correct answer.

The Sen index of poverty, developed by **Amartya Sen**, is a composite poverty measure that goes beyond simply counting the number of people below the poverty line. It takes into account not only the incidence of poverty (how many people are poor) but also the intensity of poverty (how far below the poverty line people are) and the distribution of income among the poor (income inequality among the poor).

Important Tips

What is the "greying" phenomenon?

Greying refers to a cumulative result of increasing longevity, declining fertility and the progression of larger groups of population to older ages.

In the 1970s, there were 3 times as many 15 to 24-year-olds than older people. By 2050, these age groups will be equal.

70. Solution: (c)

Exp) Option c is the correct answer.

The terms **usual status and current weekly status** are related to methods used by agencies like the National Sample Survey Office (NSSO) to estimate **employment and unemployment in India.**

1. Usual Status (US):

Refers to the employment/unemployment status of an individual over a longer reference period, typically **365 days preceding the survey.**

It captures an individual's principal activity status (the activity they engaged in for the majority of the year).

2. Current Weekly Status (CWS):

Refers to the employment/unemployment status of an individual based on their activities during the **seven days preceding the survey.**

It identifies those who were employed, unemployed, or out of the labor force in a shorter time frame.

It accounts for individuals who may have short spells of unemployment or engagement in casual work.

Captures seasonal employment trends and short-term variations in employment status.

71. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: The National Council of Educational Research and Training (NCERT) is an autonomous organization (But not a Statutory organization as it is not set up by an Act of Parliament) set up in 1961 by the Government of India to assist and advise the Central and State Governments on policies and programmes for qualitative improvement in school education. The major objectives of NCERT and its constituent units are to undertake, promote and coordinate research in areas related to school education; prepare and publish model textbooks, supplementary material, newsletters, and journals and develops educational kits, multimedia digital materials, etc.

Statement 2 is correct: National Council of Educational Research and Training (NCERT) is an implementation agency for bilateral cultural exchange programmes with other countries in the field of school education. The NCERT also interacts and works in collaboration with the international organizations, visiting foreign delegations and offers various training facilities to educational personnel from developing countries.

Statement 3 is correct: The Council's Executive Committee's meeting is chaired by the Union Education minister. Recently the executive committee of the council has granted approval to the National Council of Educational Research and Training (NCERT) to get the 'Deemed-to-be-University' status. Deemed University is an institution which can apply to the UGC for setting up a new institution as deemed to be University which will undertake study and research in unique and emerging areas of knowledge that are not offered by any existing institution.

72. Solution: (a)

Exp) Option a is the correct answer.

The term **"Glass Cliff" refers to a situation in which women are promoted to higher positions during times of crisis or duress, or during a recession when the chance of failure is more likely.** In simple terms, women are basically set up for failure. It gives a company someone to blame, if she fails to pull the company out of its downward spiral.

It allows companies to look good as they are promoting women to leadership roles. Hence, even if the company fails it still earns a reputation of being progressive. If women fail, companies are free to reappoint males to their positions without reproach.

Option b is incorrect. On the other hand, **'Glass Ceiling'** refers to an unseen and unspoken limit on how high women can rise in an organisation.

Option c is incorrect. Glass cliff do not refer to a situation in which mass layoffs of the employees are done to balance out the ill effects of aggressive hiring during pandemic years.

Option d is incorrect. Similarly, a situation where men employed in female or minority dominated professions are promoted faster is known as **'Glass Escalator'.**

73. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is *incorrect*: The Gini coefficient was 35.7 per cent in 2011 in India. The coefficient **increased to 47.9 per cent in 2018.** Due to the COVID-19 pandemic, the Gini coefficient increased further.

India is only second to Russia in the world in terms of inequality.

Gini index or coefficient measures distribution of income across population. Gini coefficient - **100 per cent indicates full inequality** and 0 per cent indicates full equality. Thus, higher Gini coefficient indicates greater inequality.

Statement 2 is correct: Reduction in tax progressivity is one of the reason for rise in income inequality. Top tax rates, which were very high in the 1970s (up to 98%), decreased to 30% in the 1980s and after.

A progressive tax is based on the taxpayer's ability to pay. It imposes a lower tax rate on low-income earners than on those with a higher income. This is usually achieved by creating tax brackets that group taxpayers by income ranges.

Statement 3 is *incorrect*: Between 1991 and 2016, **per capita income rose from Rs 6,270 to Rs 93,293. Thus, it witnessed a 1388 percent jump.**

74. Solution: (c)

Exp) Option c is the correct answer.

The **Pradhan Mantri Schools for Rising India (PM-SHRI) Yojana** is a centrally sponsored scheme for upgradation and development of more than 14500 Schools across the country. It aims at **strengthening the selected existing schools from amongst schools** managed by Central Government/ State/ UT Government/ local bodies.

Features of the scheme:

1. PM SHRI Schools will be developed as Green schools, incorporating environment friendly aspects.

2. Pedagogy adopted in these schools will be more experiential, holistic, integrated, play/toy-based.
3. PM SHRI Schools would be implemented through the existing administrative structure available for Samagra Shiksha, KVS & NVS.
4. Selection of PM SHRI schools will be done through Challenge Mode wherein Schools compete for support to become exemplar schools.

75. Solution: (a)

Exp) Option a is the correct answer.

The **National Employment Service** (NES), under the **Ministry of Labour and Employment**, **compiles data on formal employment** and **potential vacancies** in the **organised sector through** its extensive **network of employment exchanges** across India.

NES tracks labour market trends, provides employment assistance, and forecasts workforce requirements. It supports both job seekers and employers by ensuring a match between available jobs and the right candidates. The data collected is vital for employment policy, planning, and strategy formulation.

Knowledge Base:

The **National Employment Service** and **Employment Exchanges** functions within the ambit of **Employment Exchanges** (Compulsory Notification of Vacancies) **Act 1959** enacted within the framework of **ILO convention no 88.**

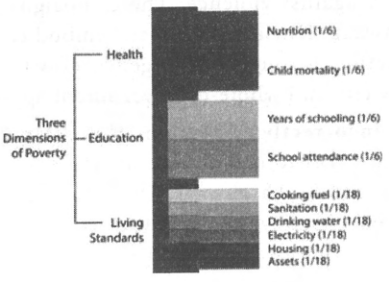
76. Solution: (b)

Exp) Option b is the correct answer.

The Multidimensional Poverty Index captures the multiple deprivations that people in developing countries face in their health, education and standard of living. It is jointly produced by UNDP and the Oxford Poverty and Human Development Initiative (OPHI).

Statement 1 is correct: The global MPI was developed by Oxford Poverty & Human Development Initiative (OPHI) with the UN Development Programme (UNDP) for inclusion in UNDP's flagship Human Development Report in 2010. It has been published annually by OPHI and in the HDRs ever since.

Statement 2 is correct: Deprivations of Multi-Dimensional Poverty index has been divided across 10 indicators in three equally weighted dimensions: health, education and standard of living. The health and education dimensions are based on two indicators each, while standard of living is based on six indicators.



Statement 3 is incorrect: The MPI assesses poverty at the individual level. If a person is deprived in a third or more of ten (weighted) indicators, the global MPI identifies them as 'MPI poor'. The extent – or intensity – of their poverty is also measured through the percentage of deprivations they are experiencing.

77. Solution: (b)

Exp) Option b is the correct answer.

The Gender Inequality Index (GII) is an index for measurement of gender disparity that was introduced in the 2010 Human Development Report 20th anniversary edition by the United Nations Development Programme (UNDP).

Statement 1 is correct: The GII varies between 0 (when women and men fare equally) and 1 (when men or women fare poorly compared to the other in all dimensions). It indicates that low GII value indicates low level of inequality between women and men, and vice-versa.

Statement 2 is correct: The GII looks at the issue of gender inequality by preparing a composite measure using three dimensions: reproductive health, empowerment and the labour market. The reproductive health indicators are maternal mortality ratio and adolescent birth rate. The empowerment indicators are the percentage of parliamentary seats held by women and the percentage of the population with at least some secondary education by gender. The labour market indicator is participation in the labour force by gender.

Statement 3 is incorrect: It is released by the United Nations Development Programme (UNDP). The other similar kind of report "Global Gender Gap Report" is released by World Economic Forum.

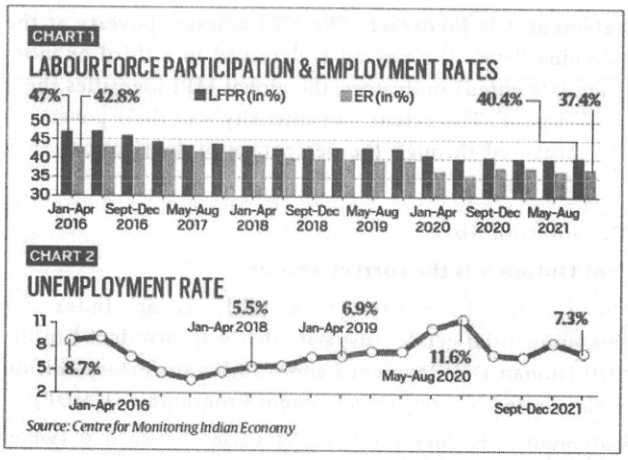
78. Solution: (c)

Exp) Option c is the correct answer

Statement 1 is incorrect: Open Unemployment rate is defined as total unemployed people as a percentage of the **total Labour Force (those who are willing to work). Open unemployment rate represents those people who are willing to work but could not find a job** in the labour market.

Statement 2 is correct: It is true that a fall in the open unemployment rate may not necessarily represent an increase in the employment rate. As **Employment rate** is total number of employed people in the **working age population (15-64)** whereas open unemployment rate is total number of unemployed people among total **labour force (i.e. those who are willing to work),** thus **fall in unemployment rate could also result from decrease in labour force participation rate** which means those who are demanding job in the market will get reduced.

Statement 3 is incorrect: Open unemployment rate in India has not steadily decreased in the last five years in India. For instance, the open unemployment rate in India in 2016 was 8.7% and decreased to 5.5% in 2018 but increased to 7.3% in 2021.



79. Solution: (c)

Exp) Option c is the correct answer.

Workforce is the total number of people in a country or region who are physically able to do a job and are available for work. The workforce in Indian economy has seen a substantial shift from farm-based employment to non-form employment over past few decades. Various studies have shown that the Indian work force is facing the challenges of Casualisation and Informalisation.

Statement 1 is correct: Casualisation of work force is a process in which employment shifts from a full-time and permanent positions to casual or contract positions. Casual workers are often employed by others on any farm/ non-farm enterprise and are paid wages that are daily or periodic in nature.

Statement 2 is correct: Informalisation of a workforce is a phenomenon in which the proportion of workforce in the informal sector to total workforce increases. It means, the total workforce in the formal sector (Government regulated sector employing 10 or more workers) reduces while that in the informal sector (Unregulated sector employing less than 10 workers) rises.

4.2. Government Schemes

80. Solution: (a)

Exp) Option a is the correct answer.

The **Sukanya Samriddhi Yojana (SSY)** is a **government-backed savings scheme** launched under the **Beti Bachao Beti Padhao** initiative to promote **financial security for girl children** in India.

Option 1 is incorrect: Sukanya Samriddhi Yojana is a savings scheme, not a direct financial assistance program. The scheme requires parents or guardians to deposit money into the account, which then grows with an interest rate determined by the government. Unlike schemes like **Ladli Laxmi Yojana** or **Kanya Sumangala Yojana**, which provide direct financial aid, SSY is purely an investment-based scheme.

Option 2 is correct: The primary objective of **Sukanya Samriddhi Yojana** is to help parents secure the future of their girl child by encouraging systematic savings. It **allows parents to open an account in the name of a girl child and deposit money.** The amount saved, along with accrued interest, can be used for higher education or marriage expenses. The guardian can open the account **immediately after the birth of the girl child till she attains the age of 10 years.** Any girl child who is a resident Indian from the time of opening the account till the time of maturity/closure is eligible for the scheme. Only one account is allowed per child. Parents can open a maximum of two accounts for each of their children.

Option 3 is incorrect: Sukanya Samriddhi Yojana does not focus on **nutritious meal provisions for girl children.** Such objectives are covered under schemes like the Integrated Child Development Services (ICDS) and Poshan Abhiyaan.

Option 4 is incorrect: Sukanya Samriddhi Yojana **does not provide skill-based training for school dropouts.** It is a long-term savings plan and does not involve vocational or educational training programs.

81. Solution: (a)

Exp) Option a is the correct answer.

Yuva Sahakar – Cooperative Enterprise Support and Innovation Scheme has been launched by the Government of India.

Statement 1 is correct. The scheme is being implemented by National Cooperative Development Corporation (NCDC), a statutory corporation under the administrative control of the Ministry of Cooperation, across the country. The National Cooperative Development Corporation (NCDC) was established by an Act of Parliament in 1963.

Statement 2 is incorrect. A cooperative society must have been functional for at least 3 months to reap the benefits under the scheme. It provides more incentives to the cooperatives working in the North-Eastern region and the aspirational districts. Exclusive benefits are provided for women, Scheduled Caste and Scheduled Tribe candidates.

82. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correctly matched: Recently, the Union Government launched the third edition of Nayi Chetna. It aims to **amplify awareness and drive informed action against gender-based violence** through grassroots initiatives. The objectives of Nayi Chetna 3.0 include raising awareness of all forms of gender-based violence, encouraging communities to speak out and demand action, providing access to support systems for timely assistance and empowering local institutions to act decisively against violence. The campaign's slogan, "Ek Saath, Ek Awaaz, Hinsa Ke Khilaaf," embodies the call for collective action through convergence efforts, adopting a whole-of-society and whole-of-government approach.

Pair 2 is incorrectly matched: Humsafar Policy is a comprehensive **initiative aimed at enhancing facilities along India's national highways.** The policy seeks to improve the convenience, safety, and comfort of highway travellers by providing a wide range of services at key locations along

the road network. Under this policy, **rest stop equipped with** essential amenities like **clean washrooms, food courts, parking spaces**, and **first-aid services** will be developed across major highways.

Pair 3 is correctly matched: Project Naman is an **initiative by the Indian Army to provide support and services to veterans, defense pensioners, and their families**. The project includes Common Service Centres (CSCs) that offer a variety of services, including banking, pension, and government services. Project NAMAN is centred around the implementation of the SPARSH (System for Pension Administration Raksha), digital pension system, which streamlines pension related processes for Defence Pensioners, addressing the critical need for accessible facilitation points for Veterans and Next of Kin (NOK) across the country.

Pair 4 is incorrectly matched: Project VISTAAR (Virtually Integrated System to Access Agricultural Resources). It is a **digital platform** designed by integrating information about start-ups in the **agriculture and allied sectors.** The initiative aims to enhance the efficiency and effectiveness of the **agricultural extension system through digitalisation.** This will help farmers and other stakeholders access the capabilities and offerings of these start-ups more easily. It contains details on over 12,000 start-ups in the agriculture and farming sectors.

83. Solution: (c)

Exp) Option c is the correct answer.

The NPS Vatsalya Scheme is a pension scheme designed specifically for minors under the National Pension System (NPS). It allows parents or guardians to open an NPS account for their children, ensuring long-term financial security.

Statement 1 is incorrect: The NPS Vatsalya Scheme is an **extension of NPS**, created exclusively for **minors (below 18 years)**. The account is **opened and managed** by the parent or guardian until the child turns **18**, at which point they take control.

Statement 2 is correct: To keep the **NPS Vatsalya** account active, the subscriber (guardian) must make a **minimum annual contribution of ₹1,000**. However, there is **no upper limit** on the amount that can be deposited, allowing flexibility for parents to invest as per their financial capability.

Statement 3 is correct: This innovative saving-cum-pension scheme, regulated and administered by the Pension Fund Regulatory Authority of India (PFRDA), marks a significant advancement in the government's efforts to enhance financial planning and security across generations.

84. Solution: (c)

Exp) Option c is the correct answer.

The Pradhan Mantri Janjatiya Unnat Gram Abhiyan (PMJUGA) was launched on **October 2, 2024 as Dharti Aaba Janjatiya Gram Utkarsh Abhiyan.** The scheme will cover around 63,000 villages benefitting more than 5 crore tribal people.

Statement 1 is incorrect. Pradhan Mantri Janjatiya Unnat Gram Abhiyan aims to improve the socio-economic condition of tribal areas and tribal communities (it does not exclusively focus on Particularly vulnerable Tribal groups).

Statement 2 is incorrect. The **Ministry of Tribal Affairs** will serve as the **nodal agency**, coordinating with Central Ministries for **planning, implementation, and monitoring** of Pradhan Mantri Janjatiya Unnat Gram Abhiyan (PMJUGA). However, each of the 17 ministries will retain responsibility for implementing its specific schemes.

Statement 3 is correct. It's one of the primary objective includes universalization of access to good education. Under this the aim is to to increase GER to the national levels in school and higher education and to make quality education affordable and accessible to ST students.

85. Solution: (d)

Exp) Option d is the correct answer.

The Union Cabinet approved Uttar Poorva Transformative Industrialization Scheme, 2024 (UNNATI – 2024) for a period of 10 years. The scheme's main objective is to generate gainful employment, which will lead to the area's overall socio-economic development. It will create productive economic activity in the manufacturing and service sectors.

Statement 1 is incorrect: Government of India has formulated New Industrial Development Scheme, **UNNATI** (Uttar Poorva Transformative Industrialization Scheme), 2024 as a **Central Sector Scheme (not Centrally Sponsored Scheme) for the development of Industries and creation of jobs/employment in the states of Northeast Region.**

Statement 2 is incorrect: Capital Interest Subvention, a key component of the UNNATI scheme, offers financial relief to eligible businesses. Interest on loan up to the principal amount of Rs. 250 crore for investment in eligible **plant and machinery (for manufacturing sector) or building and all other durable physical assets (for service sector)** shall be eligible for Capital Interest subvention. If the total principal amount of loan (loan being defined as a whole and not as per draw-down amount in each tranche) is more than Rs. 250 crore, then interest on the loan amount exceeding Rs. 250 crore would not be eligible for Capital Interest Subvention.

Statement 3 is incorrect: The Capital Investment Incentive, is a special financial benefit provided for eligible businesses that are either new (green field) or expanding (brown field). For manufacturing, minimum investment of INR 1.00 Crore and for service units, minimum investment of INR 50.00 Lakh in eligible value of building and all other durable physical assets is mandated respectively. For Micro industries, the minimum investment limit shall be INR 50 lakhs for both manufacturing and service sector.

86. Solution: (b)

Exp) Option b is the correct answer.

The Ministry of Social Justice and Empowerment has launched an umbrella scheme "SMILE - Support for Marginalized Individuals for Livelihood and Enterprise"

on 12.02.2022, which includes two sub-schemes - 'Central Sector Scheme for Comprehensive Rehabilitation for Welfare of Transgender Persons' and 'Central Sector Scheme for Comprehensive Rehabilitation of persons engaged in the act of Begging'. This umbrella scheme covers several comprehensive measures including welfare measures for both transgender persons and persons who are engaged in the act of begging with focus extensively on rehabilitation, provision of medical facilities, counseling, education, skill development, economic linkages etc with the support of State Governments/UTs/Local Urban Bodies, Voluntary Organizations, Community Based Organizations (CBOs) and institutions and others.

Important Tips

Features of the SMILE scheme:

- It grants **scholarships** to **transgender students** from grade IX through post-graduation to support their education.
- It includes provisions for **skill development and livelihood** under the Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi **(PM-DAKSH)** scheme.
- It offers a comprehensive **healthcare package in collaboration with the Pradhan Mantri Jan Arogya Yojana (PM-JAY),** covering **gender-affirmation surgeries** through selected hospitals.
- It provides **housing facilities** through **'Garima Greh'**, offering essentials like food, clothing, recreational activities, skill development opportunities, and medical support to **transgender individuals and those engaged in begging.**
- Each state will have a **Transgender Protection Cell** to oversee offense cases and ensure prompt registration, investigation, and prosecution.
- **A National Portal & Helpline** will be available to offer necessary information and solutions to transgender individuals and those engaged in begging when required.

87. Solution: (d)

Exp) Option d is the correct answer.

Pradhan Mantri Mudra Yojana (PMMY) is a flagship scheme of the Government of India launched in 2015 and is implemented under the Ministry of Finance. The scheme facilitates micro credit/Loan up to Rs. 10 lakhs to income generating micro enterprises engaged in the non farm sector in manufacturing, trading or service sectors including activities allied to agriculture such as poultry, dairy, beekeeping, etc. The Scheme provides financial assistance extended by Member Lending Institutions to the non-corporate, non-farm sector income generating activities of micro and small entities.

The **Pradhan Mantri MUDRA Yojana (PMMY)** categorizes loans into three main segments: **'Shishu,' 'Kishore,' and 'Tarun'**, based on the growth stage and funding needs of the beneficiary micro-unit or entrepreneur. In **2024**, a new category, **'Tarun Plus,'** was introduced, expanding the scheme's classification into four categories.

Shishu: Covering loans upto Rs.50,000/-.

Kishore: Covering loans above Rs.50,000/- and upto Rs. 5 lakhs.

Tarun: Covering loans above Rs. 5 lakhs and upto Rs. 10 lakhs.

Tarun Plus: overing loans above Rs. 10 lakh and up to Rs. 20 lakhs

88. Solution: (d)

Exp) Option d is the correct answer.

The PM e-VIDYA initiative, a comprehensive endeavor, consolidates various efforts pertaining to digital, online, and broadcast education to facilitate multifaceted access to learning. This initiative stands to benefit approximately 25 crore school-going children across India.

Statement 1 is correct: DIKSHA, known as One Nation One Digital Platform, constitutes a crucial component of PM e-VIDYA. DIKSHA serves as a national digital infrastructure catering to teachers and students. Accessible by scanning QR codes found in NCERT books, DIKSHA offers a wide range of educational resources. Available in multiple languages, including English, Hindi, Marathi, Tamil, Telugu, and more, users can select their preferred language for enhanced convenience.

Statement 2 is correct: Swayam Prabha, integral to the PM e-Vidya initiative, comprises a group of **DTH channels dedicated to broadcasting high-quality educational programs 24 hours a day, 7 days** a week. Operating via the GSAT-15 satellite, Swayam Prabha ensures continual access to educational content.

Statement 3 is correct: PM e-Vidya endeavours to cater to the needs of visually and hearing impaired individuals by providing specialized educational content. Utilizing the Digitally Accessible Information System (**DAISY**) and sign language, educational resources are made available on the National Institute of Open Schooling (NIOS) website and YouTube platform.

89. Solution: (b)

Exp) Option b is the correct answer.

The **PM Surya Ghar: Muft Bijli Yojana** was approved by the Government of India on **29th February 2024** with the aim of **boosting the share of solar rooftop capacity** and empowering residential households to generate their own electricity. With an outlay of **Rs 75,021 crore**, the scheme is set to be implemented till **FY 2026-27.**

Statement 1 is incorrect: The PM Surya Ghar Muft Bijli Yojana aims to provide free electricity through rooftop solar systems, it **does not provide fully subsidized rooftop solar systems, including installation and maintenance costs.**

The scheme offers financial assistance in the form of subsidies for the installation of rooftop solar systems, but the **subsidy is not 100%.**

The subsidy varies based on the system capacity, with up to **60% subsidy** for systems under **2 kW capacity** and **40%** of additional system cost for systems between **2-3 kW** capacity, subject to a **cap of 3 kW capacity**.

However, **maintenance and other associated costs are not covered by the scheme**.

Statement 2 is correct: To be eligible for the PM Surya Ghar Muft Bijli Yojana, it **is mandatory for the household to have a valid electricity connection.**

In addition to this requirement, the household must also meet other eligibility criteria:

Indian Citizenship: The applicant must be an Indian citizen.

Suitable Roof: The household must own a house with a roof that is structurally suitable for installing solar panels.

No Prior Subsidy: The household must not have availed any other subsidy for solar panels, ensuring that only one form of financial assistance is provided for the installation.

90. Solution: (b)

Exp) Option b is the correct answer.

The Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (PM-JAY) is a landmark healthcare initiative by the Government of India, aimed at providing financial protection and healthcare services to vulnerable and economically weaker sections of society. Launched in 2018, the scheme provides annual health coverage of ₹5 lakhs per family, encompassing secondary and tertiary care.

Statement 1 is incorrect: PM-JAY provides coverage for **pre-existing conditions right from the beginning of the policy implementation.** This means that beneficiaries enrolled under PM-JAY can avail healthcare services related to pre-existing medical conditions without any waiting period or exclusion, ensuring comprehensive healthcare coverage from the start of their policy coverage.

Statement 2 is correct: PM-JAY includes individuals aged 70 years or above. The Government of India recently expanded its benefits in 2024 to provide free health coverage of ₹5 lakhs annually for all senior citizens (irrespective of their socio-economic status) aged 70 and above. For families already covered under PM-JAY, an additional top-up coverage of ₹5 lakhs is provided exclusively for senior members (which they do not have to share with the other members of the family who are below the age of 70 years) ensuring comprehensive healthcare access for this age group.

91. Solution: (c)

Exp) Option c is the correct answer.

Pair 1 is correct. NISHTHA (National Initiative for School Heads' and Teachers' Holistic Advancement) is a **capacity building programme** for "Improving Quality of School Education through **Integrated Teacher Training".** It aims to build competencies among all the teachers and school principals at the elementary stage. NISHTHA is the world›s largest teachers› training programme of its kind. The basic objective of this massive training programme is to motivate and equip teachers to encourage and foster critical thinking in students.

Pair 2 is correct. Vidya Pravesh is a **3-month school preparation module** introduced under the National Education Policy (NEP) 2020. It is designed for **Grade-I students,** whether they have had preschool education or not, to ensure smooth transition into formal schooling.

Pair 3 is correct. PM POSHAN (Pradhan Mantri Poshan Shakti Nirman) is the rebranded Mid-Day Meal Scheme that provides **one hot cooked meal** to students of **Class I–VIII in Government and Government-aided schools.**

92. Solution: (b)

Exp) Option b is the correct answer.

SDG stands for Sustainable Development Goals, which are a set of 17 international development goals adopted by the United Nations in 2015.

Row 1 is incorrect. SDG 2 is not about ending poverty. Instead, it is about **"Zero Hunger",** which includes ending hunger, achieving food security, improving nutrition, and promoting sustainable agriculture. Whereas SDG 1 is to End poverty in all its forms everywhere. Deendayal Antyodaya Yojana-National Rural Livelihood Mission launched by the Ministry of Rural Development in 2011. It aims to **eliminate rural poverty through the promotion of multiple livelihoods** and improved access to financial services for the rural poor households across the country.

Row 2 is incorrect. SDG 6 though focuses on **water and sanitation,** aiming to ensure **sustainable management and universal access** to these resources, **the given scheme Sukanya Samriddhi Yojana is not related to it. It is a savings scheme launched in 2015 under the Government of India's '' Beti Bachao Beti Padhao" campaign, which aims to promote the education of girl children.**

Row 3 is correct. SDG 8 emphasizes **inclusive and sustainable economic growth,** productive employment, and **decent work opportunities** for all as key to economic development. **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)** is the flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE) implemented in 2015-16. **Its objective is to enable a large number of Indian youth to take up industry-relevant skill training that will help them in securing a better livelihood which helps achieve the SDG 8.**

Row 4 is correct. SDG 11 aims to address urban challenges and ensure **sustainable urbanization** by promoting **inclusivity, resilience, and safety in human settlements. To achieve this SDG 11, the Government of India has launched the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) in 2015** to provide basic civic amenities like water supply, sewerage, urban transport, parks as to improve the quality of life for all. The focus of the Mission is on infrastructure creation that has a direct link to provision of better services to the citizens in urban areas.

Row 5 is correct. SDG 12 focuses on promoting **sustainable consumption and production,** reducing resource use, and

minimizing waste and environmental impacts. **To achieve this SDG 12, the Government of India has launched PM Surya Ghar Muft Bijli Yojana** on February 15, 2024, that aims to **provide free electricity to households in India.** Under the scheme, **households will be provided with a subsidy to install solar panels** on their roofs. The scheme targets **one crore families to get up to 300 units of free electricity per month.**

93. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correctly matched: Stand Up India scheme aims to promote entrepreneurship among Scheduled Castes (SC), Scheduled Tribes (ST), and women. It facilitates bank loans ranging from ₹10 lakh to ₹1 crore for setting up greenfield enterprises in manufacturing, services, or trading sectors.

Pair 2 is incorrectly matched: PM Suraksha Bima Yojana (PMSBY) is an **affordable insurance scheme providing life and disability cover.** It offers a cover of ₹2 lakh for accidental death or permanent disability and ₹1 lakh for partial disability, with an annual premium of just ₹20.

Pair 3 is incorrectly matched: e-Shram Portal is designed to create the first **national database of unorganised workers,** helping them access various government schemes and social security benefits. It facilitates job search by integrating with other relevant portals.

Pair 4 is correctly matched: PM SVANidhi scheme **supports street vendors by providing collateral-free working capital loans to restart or expand their businesses.** It focuses on their economic empowerment and livelihood restoration.

94. Solution: (d)

Exp) Option d is the correct answer.

The Production Linked Incentive (PLI) scheme is a performance-based incentive program by the government to boost manufacturing and reduce imports. The scheme is part of the Make in India initiative and Atmanirbhar Bharat vision.

Statement 1 is incorrect: The incentives given, are calculated on the **basis of incremental sales not incremental production and investment.** While for some sectors such as advanced chemistry cell batteries, textile products and the drone industry, the **incentive to be given will be calculated on the basis of sales, performance and local value addition done over the period of five years.**

Statement 2 is incorrect: In the PLI scheme, **Domestic and Foreign companies receive financial rewards for manufacturing in India**, based on a percentage of their revenue over up to five years.

The objective is to make domestic manufacturing globally competitive and to create global Champions in manufacturing. For which both domestic companies and foreign companies in India are provided incentives.

95. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: The **PM Vishwakarma Scheme, launched in September 2023,** is a **Central Sector Scheme, not a Centrally Sponsored Scheme.** A Central Sector Scheme is fully funded by the central government, whereas a Centrally Sponsored Scheme involves funding from both central and state governments.

Additionally, the scheme was **launched by the Ministry of Micro, Small and Medium Enterprises** (MoMSME), not the Ministry of Skill Development and Entrepreneurship (MSDE).

However, the scheme is **jointly implemented** by the **MoMSME, MSDE**, and the **Department of Financial Services (DFS), Ministry of Finance (MoF).**

Statement 2 is correct: The PM Vishwakarma Scheme supports traditional artisans by providing **skill training,** which includes Skill Verification followed by **5-7 days of Basic Training** and the option of 15 days of Advanced Training. A **training stipend of ₹500 per day** is provided.

The scheme also **offers modern tools** to enhance artisans' capabilities, productivity, and product quality. Additionally, it helps **facilitate market access** by providing platforms for **brand promotion and market linkages.** These measures aim to uplift artisans' livelihoods and improve their market competitiveness.

Statement 3 is correct: The Scheme provides **collateral-free Enterprise Development Loans of up to ₹3 lakh**, with concessional **interest rates of 5%,** and an **interest subvention cap** of **8%** paid by MoMSME. The Credit Guarantee fees are borne by the Government of India.

Additionally, the scheme offers an **incentive for digital transactions**, providing ₹1 per transaction for up to 100 transactions per month. These provisions encourage financial inclusion and digital adoption among artisans.

96. Solution: (d)

Exp) Option d is the correct answer.

The **Pradhan Mantri Fasal Bima Yojana** (PMFBY), launched in **2016**, operates under the principle of **One Nation, One Crop, One Premium.** The scheme aims to provide comprehensive insurance coverage and financial support to farmers in the event of crop failure due to natural calamities, pests, and diseases.

The scheme aims to stabilize farmers' incomes, encourage the adoption of modern agricultural practices, and facilitate the flow of credit to the agriculture sector.

Statement 1 is incorrect: Department of Agriculture Cooperation & Family Welfare has designated/empanelled Agriculture Insurance Company of India(AIC) and **some private insurance companies presently to participate in the Government sponsored agriculture /crop insurance schemes** based on their financial strength, infrastructure, manpower and expertise etc. Some of the empanelled private insurance companies at present are ICICI-Lombard General Insurance Company Ltd., HDFC-ERGO General Insurance Company Ltd. etc.

Statement 2 is incorrect: Notified Area is the Unit of Insurance decided by the State Government (not Gram Panchayat) for notifying a Crop during a season. The size of the Unit of Insurance shall depend on the area under cultivation within the unit. For major crops, the Unit of Insurance shall ordinarily be Village/Village Panchayat level and for minor crops may be at a higher level so that the requisite number of Crop Cutting Experiments could be conducted during the notified crop season. States may notify Village / Village Panchayat as insurance units in case of minor crops too if they so desire.

97. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correct. SAMARTH (Sustainable Agrarian Mission on use of Agri-Residue in Thermal Power Plants) also known as National Mission on use of Biomass in Thermal Power Plants has been set-up by Ministry of Power(MOP) to address the issue of **air pollution due to farm stubble burning and to reduce carbon footprints of thermal power generation.**

Pair 2 is correct. UJALA (Unnat Jyoti by Affordable LEDs for All) scheme aims to promote **efficient use of energy at the residential level;** enhance the awareness of consumers about the efficacy of using energy efficient appliances and aggregating demand to reduce the high initial costs thus facilitating higher uptake of LED lights by residential users.

Pair 3 is incorrect. PM Surya Ghar: Muft Bijli Yojana aims to increase the share of **solar rooftop capacity** and empower **residential households to generate their own electricity.** The scheme is to be implemented till FY 2026-27. The scheme provides for a subsidy of 60% of the solar unit cost for systems up to 2kW capacity and 40 percent of additional system cost for systems between 2 to 3kW capacity. The subsidy has been capped at 3kW capacity.

Pair 4 is incorrect. Pradhan Mantri Sahaj Bijli Har Ghar Yojana - Saubhagya is to provide **energy access to all** by last mile connectivity and **electricity connections to all remaining un-electrified households** in rural as well as urban areas to achieve **universal household electrification in the country.** It **does not provide free electricity to all rural households.**

98. Solution: (b)

Exp) Option b is the correct answer.

The Pradhan Mantri Jan Arogya Yojana (PM-JAY), also known as Ayushman Bharat, was launched in September, **2018, in Ranchi by the Prime Minister** of India. It is the largest health assurance scheme globally, aiming to provide health coverage of Rs. 5 lakhs per family per year for secondary and tertiary care hospitalisation. The scheme targets over 12 crores poor and vulnerable families, approximately 55 crore beneficiaries, representing the bottom 40% of the Indian population.

Statement 1 is correct: The beneficiaries are identified based on the deprivation and occupational criteria **of Socio-Economic Caste Census 2011 (SECC 2011)** for rural and urban areas respectively. PM-JAY subsumed the previously existing **Rashtriya Swasthya Bima Yojana (RSBY),** which was launched in **2008.** As a result, the coverage provided under PM-JAY also includes families that were covered under RSBY but are not listed in the Socio-Economic Caste Census (SECC) 2011 database.

Statement 2 is incorrect: It provides annual health insurance coverage of up to **Rs. 5 lakh per eligible family (not per person)** for secondary and tertiary care hospitalisation.

Statement 3 is correct: It reimburses public hospitals at the same rate as private hospitals for the healthcare services they provide to beneficiaries. This means that both public and private healthcare providers receive equal reimbursement for the medical treatments and services offered to PM-JAY beneficiaries under the scheme.

Statement 4 is incorrect: PM-JAY provides coverage for **pre-existing conditions right from the beginning of the policy implementation.** This means that beneficiaries enrolled under PM-JAY can avail healthcare services related to pre-existing medical conditions without any waiting period or exclusion, ensuring comprehensive healthcare coverage from the start of their policy coverage.

99. Solution: (b)

Exp) Option b is the correct answer.

The **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), enacted in 2005,** is a **social security measure** aimed at providing the "**right to work**" in rural areas of India.

Statement 1 is incorrect: MGNREGA specifically for providing the enhancement of livelihood security of the **households in rural areas** of the country **not to all citizens.**

Statement 2 is correct: The **Act indeed mandates a social audit of all works executed under it** to ensure transparency, accountability, and community participation in the scheme.

The Gram Sabha shall conduct regular social audits of all the projects under the Scheme taken up within the Gram Panchayat.

Statement 3 is correct: According to **MGNREGA, wage payments to workers must be made within 15 days of work completion.** This **provision** ensures **timely payment** and addresses the **financial needs** of the workers.

Statement 4 is correct: One of the key features of **MGNREGA** is its **provision of guaranteeing 100 days of wage employment** in a **financial year** to a **rural household** whose **adult members volunteer** to do **unskilled manual work.**

Statement 5 is incorrect: While **water conservation** and **harvesting** are **significant aspects** of MGNREGA, the **scheme is not exclusively focused on these areas.** It **encompasses a broad range** of **activities aimed at improving land productivity, drought-proofing,** and **infrastructure development** in rural areas.

Important Tips

The National Rural Employment Guarantee Act (NREGA) aims at enhancing the livelihood security of people in rural areas by guaranteeing hundred days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work. The MGNREGA is India's largest public program, and its work is divided into 10 broad categories, some of which include –

1) Watershed, irrigation, and flood management
2) Agricultural and livestock related
3) Fisheries
4) Coastal areas
5) Rural drinking water and sanitation

100. Solution: (c)

Exp) Option c is the correct answer.

Pradhan Mantri Virasat Ka Samvardhan (PM VIKAS) is a skilling initiative by the Ministry of Minority Affairs (MoMA) that focuses on addressing the skilling, entrepreneurship, and leadership training needs of minority and artisan communities nationwide. The scheme aims to benefit around 9 lakh candidates during the 15th Finance Commission Cycle. **It combines five (5) existing schemes of MoMA viz. Seekho aur Kamao, USTTAD, Hamari Dharohar, Nai Roshni and Nai Manzil.**

Statement 1 is correct: The initiative seeks to **empower artisans and craftspeople** engaged in **traditional occupations** by enhancing their skills, while also addressing the skilling, entrepreneurship, and leadership training needs of minority and artisan communities across the country.

Statement 2 is correct: It is **Central Sector Scheme** (All initiatives wholly sponsored and implemented by the Central Agencies are included in the Central Sector Schemes).

Statement 3 is incorrect: The **Ministry of Minority Affairs (MoMA)** is the nodal ministry and not the Ministry of Skill Development and Entrepreneurship.

Statement 4 is correct: The scheme aims to be implemented in coordination with the Ministry of Skill Development & Entrepreneurship's **'Skill India Mission' and integrated with the Skill India Portal (SIP).**

101. Solution: (d)

Exp) Option d is the correct answer.

The Integrated Child Development Services (ICDS) program is a flagship initiative in India launched in 1975, aimed at addressing malnutrition, health, and education needs of children under six years, pregnant women, and lactating mothers. It provides supplementary nutrition, healthcare, pre-school education, and maternal support to vulnerable populations, promoting holistic child development.

Statement 1 is correct: The Non-formal Pre-school Education (PSE) component of the ICDS may well be considered the backbone of the ICDS programme. These Anganwadi Centre (AWC) have been set up in every village in the country. In pursuance of its commitment to the cause of India's Children, present government has decided to set up an Anganwadi Centre (AWC) in every human habitation/ settlement. Its programme for the three-to six years old children in the Anganwadi is directed towards providing and ensuring a natural, joyful and stimulating environment, with emphasis on necessary inputs for optimal growth and development.

Statement 2 is correct: Supplementary Nutrition Program (SNP) provides food supplements to children below 6 years and pregnant & lactating mothers.

The goal is to improve their nutritional status and bridge the gap between the recommended dietary allowance and the actual intake.

Statement 3 is correct: Immunization services are provided to protect children and mothers against several life-threatening diseases such as diphtheria, polio, pertussis, measles, TB, and tetanus. This service helps in reducing infant mortality and morbidity rates. Immunization of pregnant women against tetanus also reduces maternal and neonatal mortality.

Statement 4 is correct: Nutrition, Health and Education (NHED) is a key element of the work of the Anganwadi worker. This forms part of BCC (Behaviour Change Communication) strategy. This has the long term goal of capacity-building of women – **especially in the age group of 15-45 years – so that they can look after their own health, nutrition and development needs as well as that of their children and families.**

102. Solution: (d)

Exp) Option d is the correct answer.

1) The Pradhan Mantri Awas Yojana (PMAY) - Urban is a flagship affordable housing scheme launched by the Government of India in 2015 with the aim of providing housing for all urban households by the year 2022.
2) The scheme is implemented by **the Ministry of Housing and Urban Affairs (MoHUA).**
3) PMAY-Urban aims to address the housing shortage in urban areas by promoting the construction of affordable homes through various means including **credit-linked subsidies, beneficiary-led construction, and affordable housing in partnership with the private sector and In-Situ slum redevelopment.**

Statement 1 is incorrect: It aims to provide central assistance to implementing agencies for providing all weather pucca houses to all eligible families/ beneficiaries by 2024. **It covers people from wider economic sections like the Economically Weaker section, Low-Income groups and Middle income groups.**

1) **Economically Weaker Section (EWS):** This includes families with an annual income upto Rs. 3.00 lakhs.

2) **Low Income Group (LIG):** This category represents families with an annual income between Rs. 3.00 lakhs to Rs. 6.00 lakhs.

3) **Middle Income Group (MIG):** Families with an annual income between Rs. 12.00 lakhs to Rs. 18.00 lakhs.

However, **States/UTs have flexibility to redefine the annual income criteria as per local needs with the approval of the Ministry.**

Statement 2 is incorrect: PMAY has 4 components-

1. "In-situ" Slum Redevelopment (ISSR)
2. Credit Linked Subsidy Scheme (CLSS)
3. Affordable Housing in Partnership (AHP)
4. Beneficiary-led individual house construction/ enhancements (BLC)

Under component 4- Beneficiary-led individual house construction/enhancements (BLC) Central Assistance of Rs.1.5 lakh is available to individual eligible families belonging to EWS categories to either construct new houses or enhance existing houses on their own to cover the beneficiaries who are not able to take advantage of any other component of the Mission.

If the beneficiary has a pucca house with carpet area of up to 21 sq. mt. area or a semi-pucca house, lacking in one of the facilities- i.e. room, kitchen, toilet, bath or a combination of these, it may be taken up for enhancement subject to ULB/ State ensuring structural safety of the house and adherence to following conditions:

- The total carpet area after enhancement must not be less than 21 sq. mt and must not be more than 30 sq. mt.
- Enhancement shall mean addition of minimum carpet area of 9.0 square meters in to the existing house with pucca construction of at least one habitable room or room with kitchen and/or bathroom and/or toilet conforming to NBC norms.

Hence, under components 4 (Beneficiary-led individual house construction/enhancements (BLC), the beneficiary can have a pucca house up to 21 square metre and apply for enhancement to carpet area of his house up to 30 square metres.

For all other components of the scheme – Beneficiary should not have a pucca house anywhere in India.

Statement 3 is incorrect: While **Scheduled Commercial Banks are part of the lending institutions, other financial entities** such as Housing Finance Companies (HFCs), Regional Rural Banks (RRBs), Cooperative Banks, and Non-Banking Financial Companies (NBFCs) **are also eligible to provide loans under this scheme.**

Important Tips

The **PMAY (Urban) is implemented as Centrally Sponsored scheme (CSS), except for the component of credit linked subsidy which is implemented as a Central Sector scheme** by the Ministry of Housing and Urban Affairs (MoHUA).

1) **Centrally Sponsored Scheme (CSS):** Under the CSS model, the central government provides financial assistance to states/UTs for **implementing the three core components of PMAY (Urban) – Beneficiary Led Construction/Enhancement (BLC), Affordable Housing in Partnership (AHP), and In-situ Slum Redevelopment (ISSR)**. However, states/UTs also contribute a share of the funding for these components.
2) **Credit Linked Subsidy Scheme (CLSS) as a Central Sector Scheme:** This is the exception. Here, the central government bears the entire financial burden for providing interest rate subsidies on home loans availed by beneficiaries. This ensures consistent subsidy availability across the country, regardless of a state/UT's financial situation

103. Solution: (a)

Exp) Option a is the correct answer.

Employees' State Insurance Scheme of India is a multidimensional social security system aimed to provide socio-economic protection to the employee and their dependents covered under the scheme. The scheme was inaugurated in Kanpur on 24th February 1952.

Statement 1 is correct: Employees State Insurance (ESI) Scheme is a **self-financing health security scheme for the employees in the organized sector**. The ESI scheme is funded by contributions from both employers and employees, making it self-financing. It primarily caters to the organized sector. The ESI Scheme is based on the Gandhian principle of "contributions as per their ability and benefits as per the requirement".

Statement 2 is incorrect: ESI coverage applies to **all establishments employing ten or more employees**. The following establishments employing 10 or more persons attracts ESI coverage.

(i) Shops

(ii) Hotels or restaurants not having any manufacturing activity, but only engaged in 'sales'.

(iii) Cinemas including preview theatres;

(iv) Road Motor Transport Establishments;

(v) Newspaper establishments. (that is not covered as factory under Sec.2(12));

(vi) Private Educational Institutions (those run by individuals, trustees, societies or other organizations and Medical Institutions (including Corporate, Joint Sector, trust, charitable, and private ownership hospitals, nursing homes, diagnostic centres, pathological labs).

Statement 3 is incorrect: The scheme is administered by a statutory corporate body called the **Employees' State**

Insurance Corporation (ESIC). It is an autonomous body under the **Ministry of Labour and Employment**. The IRDA regulates insurance companies in India, but ESI is a social security program, not an insurance product.

Statement 4 is correct: The family members of the insured employees are entitled to medical care under the scheme. The scheme offers comprehensive medical care for insured employees and their dependents, including hospitalization, outpatient care, and medications.

104. Solution: (c)

Exp) Option c is the correct answer,

PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi Scheme) has been launched, as the COVID-19 pandemic and consequent lockdowns have adversely impacted the livelihoods of street vendors. They usually work with a small capital base and might have consumed the same during the lockdown. Therefore, there was an urgent need to provide credit for working capital to street vendors to resume their business.

Statement 1 is correct. PM SVANidhi Scheme is a Central Sector Scheme and is fully funded by the Ministry of Housing and Urban Affairs.

Statement 2 is correct. For loans under PM SVANidhi Scheme, **no collateral** will be taken by the lending institutions. On timely or early repayment, the vendors will be eligible for the next cycle of working capital loan with an enhanced limit. Further no prepayment penalty will be charged from the vendors.

Statement 3 is correct. Ministry of Housing and Urban Affairs is the implementation authority of the scheme.

105. Solution: (d)

Exp) Option d is the correct answer.

MPLADS was introduced in 1993. The objective is to enable the MP to suggest and get executed developmental works of a capital nature based on locally felt needs with an emphasis on the creation of durable assets. Under the scheme, each MP has the choice to suggest to the District Collector for works to the tune of Rs.5 Crores per annum to be taken up in his/her constituency.

Statement 1 is correct. The Nominated Members of the Lok Sabha and Rajya Sabha may select **any one or more Districts from any one State in the Country** for implementation of their choice of work under the scheme.

Statement 2 is correct. MPs need to recommend work worth at **least 15% and 7.5% of their funds** to create assets in areas inhabited by **Scheduled Castes (SCs) and Scheduled Tribes (STs) respectively.**

Statement 3 is incorrect. Normally, the minimum amount sanctioned under MPLADS for any project or work should not be less than Rs. 1 lakh. Also, there is a provision for exceptional cases. The **District Authority may allow works of a lesser amount** if they are convinced that the work will be beneficial to the public and provide clear reasons for doing so in the sanction letter.

Statement 4 is correct. MPLADS funds **are non-lapsable in nature**. Any unspent balances from a particular year can be carried forward for utilization in subsequent years.

106. Solution: (b)

Exp) Option b is the correct answer.

The **Cabinet has approved** a new scheme called **PM SHRI on** 7 September **2022**. Under this scheme, **new schools will be developed,** and **these schools will showcase** the **implementation** of the **National Education Policy 2020** and emerge **as exemplar schools** over a period of time, and also offer leadership to other schools in the neighborhood.

Statement 1 is correct: The PM SHRI scheme is a **centrally sponsored scheme** initiated by the Government of India. Pradhan Mantri Schools for Rising India (PM-SHRI) schools will provide leadership in their respective regions in providing high-quality education.

Statement 2 is incorrect: There is no programme for collaboration from foreign schools under this scheme currently. The **duration of scheme** is proposed to be from **2022-23 to 2026-27,** after which it shall be the responsibility of the States/UTs to continue to maintain the benchmarks achieved by these schools.

Statement 3 is correct: These schools **will not only focus on enhancing cognitive development but also creating holistic and well-rounded individuals equipped with key 21st-century skills**. The pedagogy adopted in these schools will be more experiential, holistic, integrated, play/toy-based (particularly in the foundational years), inquiry-driven, discovery-oriented, learner-centered, discussion-based, flexible, and enjoyable.

107. Solution: (a)

Exp) Option a is the correct answer.

The **Pradhan Mantri Mudra Yojana (PMMY)** is a flagship scheme of the Government of India introduced to **provide access to institutional finance to small business units** and **entrepreneurs**. Launched in **2015**, the scheme **aims to extend affordable credit to micro and small enterprises**, which are often **excluded from the traditional banking system** due to lack of collateral and credit history.

Statement 1 is correct: The **PMMY provides loans up to 10 lakhs to non-corporate, non-farm small/micro-enterprises.** These loans are **intended to support the establishment** and growth of such enterprises. Mudra schemes are designed to bring enterprises into the formal financial system, or to "**fund the unfunded**".

Statement 2 is correct: Loans under the PMMY are indeed categorized into **three types: Shishu (loans up to ₹50,000)**, **Kishor (loans above ₹50,000 and up to ₹5 lakhs)**, and **Tarun (loans above ₹5 lakhs and up to ₹10 lakhs)**, depending on the developmental stage and funding needs of the beneficiary.

Statement 3 is incorrect: One of the key features of the PMMY is that it **offers loans without the requirement for collateral**. This is intended to **make it easier for small and micro enterprises** to access credit.

108. Solution: (c)

Exp) Option c is the correct answer.

The PM Kisan scheme, launched in 2019, provides financial aid to Indian farmers' families.

Eligible farmers receive ₹6,000 per year in three installments to help supplement their income. This central government program aims to empower farmers and support their economic well-being.

The following categories of farmers are **not** eligible for benefit under the scheme:

i) All institutional land holders; and

ii) Farmer families in which one or more of its members belong to the following categories:

- Former and present holders of Constitutional posts o Former and present Ministers/ State Ministers and former/present Members of the Lok Sabha/ Rajya Sabha/ State Legislative Assemblies/ State Legislative Councils, former and present Mayors of Municipal Corporations, former and present Chairpersons of District Panchayats.
- All serving or retired officers and employees of Central/ State Government Ministries /Offices/ Departments and its field units, Central or State PSEs and Attached Offices /Autonomous Institutions under Government as well as regular employees of the Local Bodies (**Excluding Multi-Tasking Staff / Class IV/Group D employees**).
- All superannuated/retired pensioners **whose monthly pension is Rs. 10,000/- or more** (Excluding Multi-Tasking Staff/ Class IV/Group D employees)
- **All Persons who paid Income Tax in the last assessment year.**
- **Professionals like doctors, engineers, lawyers, chartered accountants** and architects registered with professional bodies and carrying out professions by undertaking practice.

iii) All land holding farmers' families who are Non-resident Indians (NRIs) in terms of the provisions of the Income Tax Act, 1961 shall be excluded from any benefit under the Scheme.

109. Solution: (a)

Exp) Option a is the correct answer

Government of India under Union Budget 2023-24 came up with various policy initiatives to ensure sustainable development and green initiatives.

Pair 1 is incorrect: "PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth" PM PRANAM will be **launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.**

Pair 2 is correct: To encourage behavioural change, a **Green Credit Programme** will be notified under the Environment (Protection) Act. **This will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies**, and help mobilize additional resources for such activities.

Pair 3 is incorrect: The government will promote unique conservation values of wetlands and vital ecosystem through Amrit Dharohar, a scheme that will be implemented over the next three years to encourage optimal use of wetlands, and enhance bio-diversity, carbon stock, eco-tourism opportunities and income generation for local communities.

Pair 4 is incorrect: Building on India's success in afforestation, 'Mangrove Initiative for Shoreline Habitats & Tangible Incomes', **MISHTI, will be taken up for mangrove plantation along the coastline and on salt pan lands,** wherever feasible, through convergence between MGNREGS, CAMPA Fund and other sources.

110. Solution: (d)

Exp) Option d is the correct answer.

National Social Assistance Programme (NSAP) was launched on 15th August 1995, as a social security and welfare programme to provide support to aged persons, widows, disabled persons and bereaved families on death of primary bread winner.

Statement 1 is correct: The National Social Assistance Programme (NSAP) represents a significant step towards the fulfilment of the Directive Principles in Article 41 and 42 of the Constitution. Article 41 of the Constitution of India directs the State to provide public assistance to its citizens in case of unemployment, old age, sickness and disablement and in other cases of undeserved want within the limit of its economic capacity and development.

Statement 2 is correct: Presently NSAP comprises of five schemes,

- Indira Gandhi National Old Age Pension Scheme (IGNOAPS)
- Indira Gandhi National Widow Pension Scheme (IGNWPS)
- Indira Gandhi National Disability Pension Scheme (IGNDPS),
- National Family Benefit Scheme NFBS)
- Annapurna Scheme.

Statement 3 is correct: For getting benefits under NSAP the applicant must belong to a Below Poverty Line (BPL) family according to the criteria prescribed by the Govt. of India. The other eligibility criteria and the scale of central assistance are modified by the central and state governments under various sub - schemes of NSAP.

111. Solution: (b)

Exp) Option b is the correct answer.

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a demand driven wage employment program. The Union Ministry of Rural Development, is responsible for implementing this programme.

Statement 1 is correct: MGNREGA act is one of the most progressive legislations in India, providing a **hundred days of wage employment in a financial year to all rural households** where **adult members** are willing to undertake unskilled manual work.

Statement 2 is incorrect: The MGNREGA act allows both community development projects and certain individual beneficiary oriented works. Under the act, individuals belonging to **Scheduled Castes and Scheduled Tribes, small or marginal farmers, and beneficiaries of land reforms or the Indira Awaas Yojana** of the Government of India can undertake works that are oriented towards their own benefit.

Statement 3 is correct: The **MGNREGA act mandates that at least one third of beneficiaries should be Women**. The act by reserving a portion of the employment opportunities for women, aims to address gender disparities, improve the socio-economic status of women in rural areas, and contribute to overall community development.

112. Solution: (b)

Exp) Option b is the correct answer.

Mission Poshan 2.0, also known as Saksham Anganwadi and Poshan 2.0, is an Indian government program targeting improved nutrition for children under 6, pregnant women, and lactating mothers. It integrates existing schemes like Anganwadi Services, POSHAN Abhiyaan, and the Scheme for Adolescent Girls under the Ministry of Women and Child Development to provide a comprehensive approach to addressing malnutrition and promoting health.

Statement 1 is incorrect: Mission Poshan 2.0 is actually a **flagship program of the Ministry of Women and Child Development, not the Ministry of Health and Family Welfare.**

Statement 2 is correct: Mission Poshan 2.0 primarily targets malnutrition and aims to improve nutritional status of children from 0-6 years of age, along with a**dolescent girls, pregnant women and lactating mothers.** The critical period for addressing malnutrition is recognized to be in the first 1000 days of a child's life, starting from conception until the child's second birthday. Therefore, **the mission's focus is on this age group to ensure proper nutrition and development during this crucial window.**

Statement 3 is correct: Mission Poshan 2.0 recognizes that addressing malnutrition requires not only policy interventions and programs but also behavioral changes at the community level.

1) Jan Andolan, or people's movement, is an essential component of the mission.
2) It involves mobilizing communities, stakeholders, and individuals to raise awareness about the importance of proper nutrition, promote healthy eating practices, and encourage the utilization of available nutrition-related services and schemes.
3) **Poshan Maah and Poshan Pakhwada advocate for a Jan Andolan**, engaging diverse stakeholders in nutrition-focused activities to foster a healthier society.
4) These initiatives serve as pivotal platforms to connect with communities nationwide, representing the largest annual nutrition Jan Andolan.

Statement 4 is incorrect: Mission Poshan 2.0 is an **ongoing Centrally sponsored program** that is **implemented by State Governments/UT administrations**. The cost-sharing ratio between the **Central Government** and **State Governments** is **60:40.**

Important Tips

Key areas Mission Poshan 2.0 focuses on:

1) **Improved nutrition content and delivery:** This includes ensuring the quality of food served through Anganwadis (community centers for young children) and promoting dietary diversity.
2) **Focus on maternal nutrition:** The program recognizes the importance of good nutrition during pregnancy and lactation for both mother and child.
3) **Addressing wasting and underweight: Mission Poshan 2.0** aims to reduce the prevalence of wasting and underweight children besides stunting and anemia.
4) **Integration of AYUSH practices:** AYUSH refers to India's traditional medicine system, and **Mission Poshan 2.0** incorporates these practices to promote overall well-being.
5) **Technology for monitoring:** The program uses the "**Poshan Tracker**" app to monitor nutritional outcomes and improve service delivery.

113. Solution: (d)

Exp) Option d is the correct answer.

Pradhan Mantri Suraksha Bima Yojana (PMSBY) was launched in the year 2015.The nodal ministry is the Ministry of Finance.

Statement 1 is correct: The Pradhan Mantri Suraksha Bima Yojana offers a life cover of Rs. 2 lakhs all its account holders. This life cover is provided in case of accidental death or permanent disability. **Any individual aged between 18 years to 70 years** are eligible to apply for the scheme.

Statement 2 is incorrect: As per Pradhan Mantri Suraksha Bima Yojana, any accidental death, murder or disability due to natural calamities is covered under this scheme. **Whereas any suicidal death is not covered under Pradhan Mantri Suraksha Bima Yojana.** Also, the family members will not be provided with any benefits in case of suicidal deaths.

Statement 3 is correct: Pradhan Mantri Suraksha Bima Yojana is offered by **Public Sector General Insurance Companies or any other General Insurance Company** who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

114. Solution: (d)

Exp) Option d is the correct answer.

The Minister of Social Justice and Empowerment launched

the Scheme for Economic Empowerment of DNTs (SEED) for the welfare of De-notified, Nomadic and Semi Nomadic Communities.

Statement 1 is correct. The **Scheme for Economic Empowerment of Denotified tribes (DNTs) (SEED)** aims to economically empower De-notified, Nomadic and Semi Nomadic Communities. There are four components of the SEED scheme:

- Educational empowerment- Free coaching to students from these communities for Civil Services, entry to professional courses like medicine, engineering, MBA, etc.
- Health Insurance through PMJAY of National Health Authority.
- Livelihoods to support income generation, and
- Housing through PMAY/IAY

Statement 2 is correct. The Scheme for Economic Empowerment of DNTs (SEED) is implemented by the **Ministry of Social Justice & Empowerment** for a period of 5 years starting Financial Year 2021-22 to 2025-26.

Statement 3 is correct. The Scheme for Economic Empowerment of DNTs (SEED) will provide financial assistance to **National Health Authority (NHA)** in association with **State Health Agencies (SHAs)** for providing a health insurance cover of Rs 5 lakhs per family per year to DNT, NT and SNT families as per norms of AB-PMJAY. The families having income from all sources of Rs.2.50 lakh or less per annum and not availing any such benefits from similar Scheme of Centre Government or the State Government are eligible for availing benefits of SEED Scheme.

115. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Small Saving Schemes/Instruments are the major source of household savings in India and comprise 12 instruments. The depositors get an assured interest on their money. **Collections from all small savings instruments are credited to the National Small Savings Fund (NSSF).**

Statement 2 is correct: Small savings instruments can be classified under three heads:

1) Postal Deposits (comprising savings account, recurring deposits, time deposits of varying maturities and monthly income scheme).
2) **Savings Certificates: National Small Savings Certificate (NSC) and Kisan Vikas Patra (KVP).**
3) Social Security Schemes: Sukanya Samriddhi Scheme, Public Provident Fund (PPF) and Senior Citizens'Savings Scheme (SCSS).

116. Solution: (b)

Exp) Option b is the correct answer.

The Prime Minister's Development Initiative for North-East (PM-DevINE) Scheme was announced by the Finance Minister during the Union Budget 2022-23 to enable livelihood activities for youth and women and fill the gap in various sectors in the North Eastern Region (NER).

Statement 1 is incorrect: It is a central sector scheme with 100 % central funding. The PM-DevINE Scheme will have an outlay of Rs.6,600 crore for the remaining four years of the 15th Finance Commission from 2022-23 to 2025-26. It will be implemented in addition to the quantum of resources available for the development of the NE region.

Statement 2 is correct: The scheme will be implemented by the Ministry of Development of North Eastern Region through North Eastern Council or Central Ministries/ agencies. To limit construction risks of time and cost overrun, the scheme would be implemented on Engineering-procurement-Construction (EPC) basis.

Statement 3 is correct: The scheme will fund infrastructure, in the spirit of PM GatiShakti, and social development projects based on felt needs of the North-East. The scheme will fund following list of projects initially.

1) Establishment of Dedicated Services for the Management of Paediatric and Adult Haemotolymphoid Cancers in North East India, Guwahati (Multi-State)
2) **NECTAR Livelihood Improvement Project** (Multi-State)
3) Promoting Scientific Organic Agriculture in North East Indian
4) Construction of Aizawl By-pass on Western Side
5) Gap funding for Passenger Ropeway system for Pelling to Sanga-Choeling in West Sikkim

Pilot Project for Construction of Bamboo Link Road at Different Locations in Various Districts in the State of Mizoram

NECTAR (Northeast Center for Technology Application and Reach) Livelihood Improvement Project ensures applications of appropriate technologies for development in the areas of biodiversity concerns, watershed management, telemedicine, horticulture, infrastructure planning & development, planning and monitoring, and tele-schooling using cutting-edge MESHNET solutions, employment generation etc.

117. Solution: (b)

Exp) Option b is the correct answer.

The Employees' Provident Fund (EPF) scheme is a social security initiative in India, ensuring financial stability for employees after retirement. It mandates contributions from both employees and employers, accumulating savings over the course of employment. EPF funds can be withdrawn for specific purposes such as retirement, illness, or housing. **The EPF Scheme is mandatory for employees earning up to Rs.15,000 per month.** Employers with more than 20 employees are required to register for the EPF, and it's designed to provide financial security for employees in their retirement.

Statement 1 is incorrect: The EPF Scheme is available to all employees in the organized sector, including those in private companies, and not just government employees.

It covers every establishment in which 20 or more people are

employed and certain organisations are covered, subject to certain conditions and exemptions even if they employ less than 20 persons each.

Statement 2 is correct: The interest rate on EPF deposits is reviewed and decided by the union government every year based on the recommendations of the Central Board of Trustees (CBT). The rate is subject to change and is announced at the end of each financial year.

118. Solution: (b)

Exp) Option b is the correct answer.

Mahatma Gandhi National Rural Employment Guarantee Scheme provides guaranteed one hundred days of employment in every financial year to adult members of every rural household willing to do public work-related unskilled manual work. It guarantees the "right to work" to rural citizens of India. It was launched in 2005 by the Ministry of Rural Development. It is a Centrally Sponsored Scheme.

All Household members aged more than 18 years and residing in rural areas are eligible under this scheme. The scheme covers the entire country except districts having 100 % urban populations.

As per the National Rural Employment Guarantee Act, 2005 Subject to the rules as may be made by **the Central Government** in this behalf, the Central Government shall meet the cost of the following, namely:-

(a) **the amount required for payment of wages for unskilled manual work under the Scheme; (Option 2 is incorrect)**

(b) up to three-fourths of the material cost of the Scheme including payment of wages to skilled and semi-skilled workers subject to the provisions of Schedule II;

(c) such percentage of the total cost of the Scheme as may be determined by the Central Government towards the administrative expenses, which may include the salary and allowances of the Programme Officers and his supporting staff, the administrative expenses of the Central Council, facilities to be provided under Schedule II and such other item as may be decided by the Central Government.

The **State Government** shall meet the cost of the following, namely:-

(a) the cost of unemployment allowance payable under the Scheme; (Option 1 is correct)

(b) one-fourth of the material cost of the Scheme including payment of wages to skilled and semi-skilled workers subject to the provisions of Schedule II; (Option 3 is correct)

(c) the administrative expenses of the State Council.

ECONOMIC & SOCIAL DEVELOPMENT

SECTORS OF ECONOMY

5.1. Infrastructure and Industries

1. With reference to the International Financial Services Centres Authority (IFSCA), consider the following statements:

1. It was established under the Foreign Exchange Regulation Act (FERA), 1973.
2. The Union Finance Minister is the ex-officio chairperson of IFSCA.
3. It can sign Regulatory Sandbox agreements with other countries for Fintech development.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 2 and 3 only

2. With reference to the Government e-Marketplace (GeM), consider the following statements:

1. It is mandatory for all Centre, State and other government agencies to procure through the GeM portal.
2. It is developed by the Union Ministry of Finance in collaboration with the National Informatics Centre (NIC).
3. It is mandatory for sellers to enter the Country of Origin while registering new products on GeM.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 3 only

3. With reference to Special Economic Zones (SEZ), consider the following statements:

1. They are geographic areas with more liberal economic laws than a country's domestic regulations.
2. In India, units in SEZ are provided income tax exemption on profits from exports, for the initial five years of their establishment.
3. In India, SEZ are aimed at promoting investment from both domestic and foreign sources.
4. India was the first country to establish an SEZ in Asia.

Which of the statements given above are correct?

(a) 1, 2, 3 and 4
(b) 1 and 3 only
(c) 1, 2 and 3 only
(d) 2, 3 and 4 only

4. With reference to 'Compulsory Licensing of Patents', consider the following statements:

1. It allows an applicant to produce a patented product without the consent of the patent owner.
2. It is included in the WTO's Trade-Related Aspects of Intellectual Property Rights Agreement.
3. Indian laws do not allow the grant of Compulsory licensing.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 2 only

5. Consider the following statements:

The Competition Commission of India:

1. is a statutory body constituted under the Competition Act, 2002.
2. has a Chairman who is always a retired judge of the Supreme Court or any High Court in India.
3. has the power to initiate Suo moto enquiry regarding conduct of unfair trade practices.
4. is not empowered to impose monetary penalties on the companies.

Which of the statements given above are correct?

(a) 1 and 3
(b) 2 and 3
(c) 1 and 4
(d) 2 and 4

6. With reference to the Swiss Challenge method of bidding, consider the following statements:

1. It offers the features of both open auction and closed tender to discover the best price for an asset.
2. It can help banks to maximize the value realized from auction of stressed assets.
3. It can lead to more innovative project proposals and quicker execution for public projects.
4. It is the best method to avoid the allegations of favouritism and corruption in the award of public projects.

Which of the statements given above are correct?

(a) 1, 3 and 4 only
(b) 1 and 3 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

7. With reference to the difference between the Index of Industrial Production (IIP) and the Purchasing Managers Index (PMI), consider the following statements:

1. While IIP measures the performance of both manufacturing and service sectors, PMI exclusively focuses on the manufacturing sector.
2. While IIP is published by a government agency, PMI is compiled by a private sector organisation.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

8. With reference to the Raising and Accelerating MSME Performance (RAMP) initiative, which of the following statements is incorrect?

(a) It is aimed at supporting the MSMEs in recovering from the economic impact of the COVID-19 pandemic.
(b) The scheme is assisted by the International Monetary Fund (IMF).
(c) One of the aims of the scheme is to increase access of the MSMEs to market and credit facilities.
(d) It provides support for the adoption of green technologies and practices.

9. With reference to the 'Power Sector in India', consider the following statements:

1. The responsibility for the distribution and supply of power to rural and urban consumers rests with the states.
2. Distribution Companies (DISCOMs) in India are predominantly owned by the state governments.
3. The transition of high tariff-paying consumers to alternative sources of energy has improved the financial position of Distribution Companies (DISCOMs) in India.

Which of the statements given above are correct?

(a) 1, 2 and 3
(b) 1 and 3 only
(c) 1 and 2 only
(d) 2 and 3 only

10. The "TReDS" is:

(a) an electronic platform for third-party guarantee-free loans to Micro and Small enterprises, especially in the absence of collateral.
(b) an electronic platform for facilitating the financing of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through multiple financiers.
(c) a platform to support traditional artisans to provide sustainable employment.
(d) a post-COVID Resilience and Recovery Programme to revitalize the MSME sector .

11. Which of the following is correct about CHAMPIONS portal?

(a) A platform for all Indian Citizens to access pan India e-governance services ranging from Central to Local Government bodies.
(b) A platform to provide loan facilities for higher education to meritorious students.
(c) A platform to facilitate the enrolment, registration and identification of the unorganised workers.
(d) A platform to help the MSMEs in terms of their finance and raw material requirements.

12. Consider the following statements regarding the salient features of the National Investment and Manufacturing Zone (NIMZ):

1. It is envisaged and formed under the New Industrial Policy of 1991.
2. It can be declared an Industrial Township by a State Government.
3. It should devote at least 75 per cent of the total land area to manufacturing units.

Which of the statements given above is/are correct?
(a) 3 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 2 only

13. With reference to the steel industry in India, consider the following statements:
1. India is the second largest producer of crude steel in the world.
2. Production-linked Incentive scheme is extended to all grades of steel manufacturing units in India registered under the Companies Act 2013.
3. Lack of high-grade iron ore deposits is one of the major challenges faced by this industry.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) None of the above

14. Consider the following statements regarding the Real Estate Investment Trusts (REITs)and Infrastructure Investment Trusts (InvITs):
1. These are the mechanisms that allow investors to invest in real estate without actually owning physical properties.
2. It is mandatory for REITs to make 80 percent of their total investments in rental or other income generating properties.
3. An individual investor can invest in the units of REITs, whereas only institutional investors are allowed to invest in the units of InvITs.

Which of the statements given above is/are correct?
(a) 2 and 3 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 1 only

15. Consider the following statements regarding the National Bank for Financing Infrastructure and Development (NaBFID):
1. Its objective is to mobilize finance only for those infrastructure projects that are entirely situated in India.
2. It has been established as a fully owned subsidiary of the Reserve Bank of India.
3. It is regulated and supervised by RBI as an All-India Financial Institution (AIFI).

Which of the statements given above is/are correct?
(a) 3 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) None of the above

16. Consider the following statements regarding the PM Gati Shakti initiative:
1. It aims for integrated planning and coordinated implementation of infrastructure connectivity projects across different Ministries of Central Government.
2. It has been developed as a Digital Master Planning Tool by the National Informatics Centre.
3. It explicitly includes social infrastructure projects like hospitals and schools as one of the engines for sustainable development.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 2 only

17. With reference to different Public–Private Partnership (PPP) models in infrastructure sector, consider the following statements:
1. In the 'Build-Operate-Transfer-Toll' Model, the government is responsible for regulatory clearances of the project.
2. In the BOT Annuity model, the government is responsible for Toll collection.
3. In the Engineering- Procurement-Construction (EPC) Model, the project cost is completely borne by the government.
4. In Hybrid Annuity Model (HAM), the government and the private player both are responsible for funding the project costs.

Which of the statements given above are correct?
(a) 1, 2 and 3 only
(b) 1, 3 and 4 only
(c) 2, 3 and 4 only
(d) 1, 2, 3 and 4

18. Consider the following statements with reference to India's Industrial policies:
1. The Industrial Policy of 1948 laid down the foundation of a mixed economy.

2. The Industrial Policy Resolution of 1956 was regarded as the "Economic Constitution of India".
3. The Industrial Policy of 1980 pledged to promote export-oriented industries

Which of the statements given above are correct?

(a) 2 and 3 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

19. Which of the following statements is incorrect in respect of the India Infrastructure Project Development Fund (IIPDF) Scheme?

(a) It is fully funded by the Union Government.
(b) The Scheme is administered by the Department of Economic Affairs.
(c) The scheme provides interest-free loans to implement the Public Private Partnership (PPP) projects.
(d) Vice chairman of the NITI Ayog acts as chairperson of the Approval Committee for approving projects under the Scheme.

20. Consider the following sources of Power generation in India:

1. Thermal Power
2. Nuclear Power
3. Wind energy
4. Solar energy

Arrange the above in terms of their contribution to India's total electricity generation starting from the least and select the correct answer using the code given below:

(a) 1-3-4-2
(b) 1-4-3-2
(c) 2-3-4-1
(d) 2-1-4-3

21. With reference to various initiatives of the Government of India to promote Physical and Digital infrastructure in India, consider the following pairs:

Initiatives	Main Objectives
1. National Monetization Pipeline (NMP)	Selling the ownership rights of Government assets to Private sector to generate revenue
2. UDAN	To transport perishable agricultural products from one region to another.
3. UMANG	To provide unified platform for accessing multiple e-Governance services
4. BharatNet	To establish optical fiber network connecting Gram Panchayats in India.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

22. Consider the following statements regarding the regulation of competition among businesses in India:

1. Presently, the Monopolistic and Restrictive Trade Practices Act (MRTP) prevents the monopoly of any business in Indian markets.
2. The dominance of a firm in India is determined by its size alone.
3. The Competition Commission of India does not have Suo Moto powers to take action against any company.

Which of the statements given above is/are **incorrect**?

(a) 2 and 3 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

23. With reference to the Public Private Partnership Appraisal Committee (PPPAC), consider the following statements:

1. It is a statutory body established under the Companies (Amendment) Act of 2020.
2. The Union Finance Minister is the ex-officio chairperson of the PPPAC.
3. The Public Private Partnership (PPP) projects in the Central sector exceeding 250 crore in value are sent to the PPPAC for approval.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 2 and 3 only

24. In the context of the Indian economy, which of the following is/are the purpose/purposes of 'National Monetisation Pipeline'?

1. To raise funds through the transfer of ownership rights of public assets to private entities.
2. To raise funds through leasing of both greenfield and brownfield projects.
3. To raise funds through disinvestment and monetization of primarily non-core assets of the Government.

Select the correct answer using the code given below:

(a) 1 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) None

25. With reference to the term 'Open Network for Digital Commerce (ONDC)' consider the following statements:

1. It aimed at democratizing e-commerce by creating an open network for buying and selling across various platforms.
2. It is based on open-source principles and open standards.
3. It was launched by the Ministry of Finance.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 1 only

26. In India the 'Index of Eight Core Industries' measures the combined and individual performance of production of eight core industries. In this context consider the following industries:

1. Coal
2. Automobile
3. Textile
4. Fertilizers
5. Pharmaceuticals

How many of the above are part of the Eight Core Industries?

(a) Only two
(b) Only three
(c) Only four
(d) All five

27. This regulatory agency in India detects and prosecutes or recommends for prosecution of white collar crimes/frauds into the affairs of a company. It was established in 2015 by the Government of India through a notification under the Companies Act, 2013.

Which one of the following agencies is described in the above given paragraph?

(a) Central Economic Intelligence Bureau
(b) Directorate of Revenue Intelligence
(c) Securities and Exchange Board of India
(d) Serious Fraud Investigation Office

28. With reference to the National Pharmaceutical Pricing Authority (NPPA), consider the following statements:

1. It is an independent office functioning under the Ministry of Health and Family Welfare.
2. It monitors the prices of both controlled and decontrolled drugs in India.
3. If the consumers have been overcharged for controlled drugs, NPPA can recover these overcharged amounts from manufacturers.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 2 only
(d) 2 and 3 only

29. Consider the following situations:

1. Inflationary conditions in the economy
2. Rise in Global Crude Oil Prices
3. Increase in Government's Gold Reserves
4. Good Harvesting Season for rural economy
5. International value of the US dollar

In how many of the above situations are the prices of gold in India most likely to be influenced?

(a) Only two
(b) Only three
(c) Only four
(d) All five

30. With reference to Micro, Small and Medium Enterprises (MSMEs) , consider the following statements:

1. Currently, industries with a turnover up to Rs 10 crore are considered as micro enterprises.

2. In the Financial Year 2023-24, MSMEs accounted for about 45% of India's total exports.
3. As per the current procurement policy, at least 25% of annual procurement by Central Public Sector Enterprises must be sourced from Micro and Small Enterprises (MSEs).

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

31. Consider the following statements:

Statement-I: Service sector has the largest share in India's Gross Domestic Product.

Statement II: High investment, skilled labour force and better market access has played a crucial role in the growth of the services sector in India.

Statement-III: The Service sector accounts for the largest share in employment in India compared to the other sectors of economy.

Which one of the following is correct in respect of the above statements?

(a) Both Statement II and Statements III are correct and both of them explain Statement I.
(b) Both Statement II and Statement III are correct but only one of them explains Statement I.
(c) Only one of the Statements II and III is correct and that explains Statement I.
(d) Neither Statement II nor Statement III is correct.

32. Which of the following organizations launched the "Business-Ready (B-Ready)" index?

(a) World Economic Forum (WEF)
(b) World Bank (WB)
(c) International Monetary Fund (IMF)
(d) United Nations Conference on Trade and Development (UNCTAD)

33. Arrange the following energy resources in descending order of their installed power capacity in India (as of November 2024):

1. Nuclear Energy
2. Wind Energy
3. Small Hydro Energy
4. Biopower (Biomass and Biogas Energy)
5. Solar Energy

Select the correct answer using the code given below:

(a) 2-5-4-1-3
(b) 2-5-4-3-1
(c) 5-2-4-3-1
(d) 5-2-4-1-3

34. With reference to the disinvestment of central public sector enterprises (CPSEs) in India, consider the following statements:

1. The Strategic Disinvestment implies the entire or substantial sale of Government shareholding of a CPSE along with transfer of management control.
2. Offer-For-Sale (OFS) is a mode of disinvestment that involves the sale of government shareholding in listed PSEs in the stock market.
3. The Department for Promotion of Industry and Internal Trade (DPIIT) is responsible for identifying CPSEs for strategic disinvestment in India.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 only
(c) 2 only
(d) 1, 2 and 3

35. Arrange the following sectors according to their share in India's total Gross Value Added (GVA) in ascending order:

1. Electricity, gas & other utilities
2. Manufacturing
3. Construction
4. Mining & quarrying

Select the correct answer using the code given below:

(a) 4-3-1-2
(b) 4-1-2-3
(c) 1-4-3-2
(d) 4-1-3-2

36. Consider the following National waterways and the places they connect:

National Waterways	Connects
1. National Waterway 1	Haldia-Allahabad
2. National Waterway 2	Dhubri-Sadiya
3. National Waterway 3	Kakinada-Puducherry

4. National Waterway 4	Kottapuram-Kollam

How many of the pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) Only three
(d) All four

37. A patent is a statutory right granted by the respective governments. In this context, consider the following statements:
1. Patent protection is a territorial right which is effective only within the territory of the country.
2. Any inventions relating to the production, control, use or disposal of atomic energy by an individual cannot be patented in India.
3. Patent applications beyond one year of the invention cannot be filed in India.
4. The term of every patent filed under the Indian system is 20 years from the date of filing the application.

Which of the statements given above are correct?
(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 2 and 4 only
(d) 1, 2, 3 and 4

38. With reference to Infrastructure Investment Trusts (InvITs), consider the following statements:
1. Like mutual funds, InvITs also pools investment from various categories of investors.
2. InvITs can invest their assets only in infrastructure projects that are completed and revenue-generating.
3. Units of InvITs can be tradable on stock exchanges.

Which of the statements given above is/are correct?
(a) 3 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

39. With reference to India's steel sector, consider the following statements:
1. India is second largest producer of steel in the world after China.
2. The majority of the crude steel production in India is contributed by the Public Sector Undertaking (PSU).
3. Mission Purvodaya aims to accelerate development of eastern India through the establishment of an integrated steel hub.

Which of the statements given above is/are correct?
(a) 3 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1 and 2 only

40. Which of the following correctly describes the meaning of the term 'Evergreening of Patents'?
(a) Securing multiple patents for the same product by different persons/entities.
(b) Extending patent exclusivity by making small incremental modifications to the original inventions.
(c) Securing permanent patent rights for natural products by the Government.
(d) Claiming new patent rights for the same product by citing another use.

41. In context of Hybrid Annuity Model (HAM), consider the following statements:

Under HAM, the government authority,
1. bears sole responsibility for the financial risk over the assets created.
2. has toll collection right of the asset created.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

42. Consider the following statements with regards to disinvestment in India:
1. The proceeds from the disinvestment of Central Public Sector Enterprises (CPSEs) are credited to the National Investment Fund (NIF).
2. Identifying the CPSEs for disinvestment and making recommendations for the same is the responsibility of NITI Ayog.
3. Department of Investment and Public Asset Management (DIPAM) coordinates and oversees the disinvestment process.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

43. With reference to Make in India 2.0, consider the following:

1. The initiative is aimed at building best in class manufacturing infrastructure and opening new sectors for foreign investment.
2. It does not include the service sector under its ambit.
3. It is implemented by the Union Ministry of finance.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 3 only

44. In the context of business capital, "paid-up capital" best refers to which of the following?

(a) The number of stock units (shares) that a company can issue.
(b) A portion of the authorized capital that potential shareholders have agreed to purchase.
(c) A portion of the subscribed capital for which the company has received payment from the subscribers.
(d) The shares that have actually been issued by the company to the shareholders

45. With reference to benefits given to Special Economic Zones (SEZ) in India, consider the following statements:

1. Supplies to SEZs are zero rated under the IGST Act, 2017.
2. SEZs allow duty-free import of goods and services.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

46. Consider the following statements in relation to Unicorn companies:

1. India ranks third worldwide in terms of the number of unicorn companies.
2. Only a privately held startup company can be a unicorn.
3. For a startup company to become a unicorn, it must attain a valuation of at least $10 billion.

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 only

47. With reference to 'Index of Industrial Production (IIP)', consider the following statements:

1. It is published by the National Statistical Office (NSO)
2. Base year for IIP is 2004-05
3. Mining sector has been provided highest weightage under IIP

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 only

48. Consider the following statements about Udyam portal:

1. It is the Government portal for the registration of MSMEs.
2. No enterprise shall have more than one Udyam Registration number.
3. The registration on Udyam portal is free of cost for all categories of Micro, Small and Medium enterprises (MSMEs).

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

49. With reference to 'Ujwal DISCOM Assurance Yojana (UDAY)', consider the following statements:

1. It was launched by the Government of India for the turnaround of privately owned Power Distribution Companies (DISCOMs)
2. Under this scheme, states issue bonds to take over debt and transfer the proceeds to DISCOMs as a mix of grant, loan, and equity.
3. Borrowing for the purpose of this scheme is not included for calculating fiscal deficit of the state.

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

50. Consider the following statements:

Statement-I: In India, minerals like niobium and lithium can be extracted by private sector companies.

Statement-II: The Mines and Minerals (Development and Regulation) Amendment Act 2023 delisted six minerals from the list of atomic minerals

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement- I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

51. The Trademark Act,1999, governs the regime on trademark and its registration. In this context, consider the following statements on trademark:

1. It gives registered proprietor exclusive rights to the use of the trademark in its business
2. Registered proprietor can take share of the profits made by the infringer on using his trademark.
3. Once it is registered it is valid for 20 years
4. It can be renewed by the trademark owner indefinitely

Which of the statements given above is/are correct?

(a) 1, 2 and 3 only
(b) 1 and 2 only
(c) 1, 2 and 4 only
(d) 1, 2, 3 and 4

52. With reference to the Start-ups ecosystem, which of the following statements best describes the concept of 'flipping'?

(a) A situation where start-ups start selling their business to larger companies for profit
(b) A strategy of relocating the holding company and intellectual property of a start-up to a foreign jurisdiction
(c) An angel investor providing initial seed money for startup businesses, usually in exchange for ownership equity in the company
(d) A strategy of restructuring a struggling start-up to improve its performance

53. The Production Linked Incentive (PLI) Scheme is aimed at enhancing India's manufacturing capabilities and exports. In light of this scheme, consider the following sectors:

1. Drones and Drone components
2. Pharmaceutical Drugs
3. Medical devices
4. White goods-AC and LED light components
5. Man made fibers and technical textiles

How many of the above sectors are included under the PLI scheme?

(a) Only two
(b) Only three
(c) Only four
(d) All five

54. Which one of the following best describes the concept of 'Dutch Disease'?

(a) A situation where stagnant economic growth and high unemployment coexist with high inflation.
(b) An extremely high and typically accelerating inflation rate that erodes the real value of the local currency.
(c) A situation where increased government spending leads to a reduction in private sector investment due to higher interest rates.
(d) An economic condition where a booming natural resource sector can lead to a decline in the development of other tradable sectors.

55. Consider the following statements regarding the Trade Receivables e-Discounting System (TReDS):

1. Only MSMEs can participate as sellers in TReDS.
2. It enables sellers to discount their trade receivables from corporates, government departments, and PSUs.
3. To set up a TReDS platform authorisation is required from SEBI.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 1, 2 and 3
(d) 1 only

56. In the context of Self-Reliant India (SRI) Fund, consider the following statements:

1. It provides equity financing to Micro, Small and Medium Enterprises (MSMEs).
2. It is funded by Small Industries Development Bank of India (SIDBI).
3. It operates based on a "Fund of Funds" model, channeling investments through daughter Funds to the desired sector.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1, 2 and 3
(d) 2 and 3 only

57. Consider the following statements regarding provisions under the Industrial Policy Resolution, 1948:

1. It provided for mixed economy as the model of Indian economic system.
2. It provided for the creation of District Industries Centers (DICs) to promote the expansion of small and cottage industries.
3. It gave permission to the multinational corporations (MNCs) to set up subsidiaries in the country.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

58. Consider the following statements with reference to BIS Hallmark:

1. Hallmarking is the accurate determination and official recording of the proportionate content of precious metal in precious metal articles.
2. BIS Hallmark is done for precious items made of Gold, Silver, Diamond and Platinum.
3. At present, there is no charge to get a BIS Hallmark on gold jewellery.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 only
(c) 1 and 3 only
(d) 2 and 3 only

59. With reference to Pharmaceutical Drugs in India, which of the following statements is/ are correct?

1. Ceiling prices for some drugs have been fixed by National Pharmaceuticals Pricing Authority.
2. Drug Price Control Order (DPCO) usually follows a cost-based pricing mechanism.
3. All the drugs marketed in the country are under price control.

Select the correct answer using the code given below.

(a) 1 only
(b) 2 only
(c) 1 and 2 only
(d) 1 and 3 only

60. Consider the following statements:

Statement I: Strategic disinvestment involves the transfer of management control of a public sector entity to another public or private entity.

Statement II: Strategic disinvestment occurs only when the government sells its entire shareholding in a central public sector enterprise.

Which one of the following is correct in respect of the above statements?

(a) Both Statement – I and Statement – II are correct, and Statement – II is the correct explanation for Statement – I.
(b) Both Statement – I and Statement – II are correct, and Statement – II is not the correct explanation for Statement – I.
(c) Statement – I is correct, but Statement II is incorrect.
(d) Statement – I is incorrect, but Statement – II is correct.

61. With reference to Real Estate (Regulation and Development) Act, 2016, consider the following statements:

1. It is mandatory for all real estate projects to register with the Real Estate Regulatory Authority (RERA).
2. The decisions of RERA are final and can be appealed only before the Supreme Court of India.
3. The act requires developers to maintain seperate accounts in relation to each project.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 3 only
(c) 1, 2 and 3
(d) 1 only

62. Consider the following statements with reference to the steel industry in India:

1. India has been a net importer of finished steel for the last five years.
2. The steel sector accounts for more than 10% of total greenhouse gas (GHGs) emissions in India.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

63. First Mile Connectivity (FMC) projects, recently seen in news, are related to:

(a) improvement of the transportation of coal.
(b) development of airports in tier 2 cities for regional connectivity.
(c) inter-state and intra-state transportation of timber and bamboo.
(d) connectivity in border area villages through all-weather roads.

64. With reference to India's pharmaceutical industry, consider the following statements:

1. India's pharmaceutical market currently is the world's third largest by volume.
2. India accounts for more than 50% of the global generic drug exports by volume.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

65. With reference to the Micro, Small, and Medium Enterprises (MSME) sector in India, which of the following statements is/ are correct?

1. MSMEs account for more than 30% of India's total manufacturing production.
2. MSMEs specified products export share in All India exports is more than 40%.

Select the correct answer using the code below:

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

66. Regarding the Central Public Sector Enterprises (CPSEs) in India, consider the following statements:

1. More than 70 percent of CPSEs presently operate in the manufacturing sector.
2. All the CPSEs are presently listed on at least one of the stock exchanges in India.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

67. A company satisfying certain criteria during the immediately preceding financial year is required to comply with Corporate Social Responsibility (CSR) provisions specified under the Companies Act, 2013 read with the Companies (CSR Policy) Rules, 2014 made thereunder. In this context consider the following companies:

1. A company with a net worth of Rs 200 crore or more
2. A company with an annual turnover of Rs 500 crore or more
3. A company with a net profit of Rs 5 crore or more
4. A company with a net worth of 200 crore or more and nct cxports of 20 crore or more

How many of the above-mentioned companies are mandatorily required to comply with the CSR provisions?

(a) Only one
(b) Only two
(c) Only three
(d) All four

68. In context to the government initiatives to promote infrastructure development in India, consider the following statements:

The Urban Infrastructure Development Fund (UIDF)

1. aims to create state of the art infrastructure exclusively in Tier 1 cities.
2. is managed by the National Housing Bank.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

69. The Real Estate (Regulation & Development) Act, 2016 provides for which of the following:

1. For any changes in the layout of a real estate project, consent of one-third allottees/homebuyers is required.
2. Seventy per cent of funds collected from homebuyers for a project must be maintained in a separate bank account.
3. A fast-track dispute resolution mechanism must be set up for the settlement of disputes.

Which of the statements given above are correct?
(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

70. Consider the following statements regarding National Land Monetization Corporation (NLMC):
1. It is fully owned by the Government of India.
2. Its primary function is to carry out monetization of the core assets of the Central and state Public Sector Enterprises.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

71. Consider the following statements:

Once the Central Government notifies a Central Public Sector Enterprises (CPSEs) as a "Maharatna" company then the board of Maharatna CPSE can:
1. invest up to Rs 10,000 crore in a single project without seeking approval from the Union government.
2. raise debt from the international market without approval from the Union government.
3. incur capital expenditure on purchase of new items or for replacement without any monetary ceiling.

Which of the statements given above is/are correct?
(a) 1 and 3 only
(b) 1 and 2 only
(c) 3 only
(d) 1, 2 and 3

72. With reference to Indian Railways, which of the following statements is/are correct?
1. In terms of route length, India has the second largest network in the world.
2. The Amrit Bharat Station Scheme aims to modernize railway stations primarily through privatization of railway stations.

Select the correct answer using the code given below:
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

73. India has various certification marks for different products, to ensure that they meet safety, quality, and other standards. Consider the following pairs with reference to these certification marks:

Certification marks	Issued By/ Under	Products Covered
1. ISI Mark	Ministry of Consumer affairs, food and public distribution	Exclusive to consumer goods
2. Eco Mark	Ministry of New and Renewable energy	Electronic Items
3. AGMARK	Ministry of Agriculture and Farmers Welfare	Semi processed food products like fruit, vegetables spices
4. FPO Mark	Ministry of Food Processing Industries	All processed fruit products

In how many of the above rows is the given information correctly matched?
(a) Only one
(b) Only two
(c) Only three
(d) All fou

74. Consider the following pairs, with reference to various cities in India:

Cities	Well-known for
1. Moradabad	Brass work
2. Ludhiana	Apparel industry
3. Aligarh	Lock manufacturing

How many of the above pairs are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

75. In India, the Index of Eight Core Industries (ICI) which measures combined and individual performance of production of eight core industries, is published by:
(a) National Statistics Office.
(b) Office of the Economic Adviser.
(c) Department of Economic Affairs.
(d) Central Economic Intelligence Bureau.

76. With reference to the aviation sector, consider the following statements:
1. India should shift to sustainable aviation fuel or offset their emissions in aviation sectors by purchasing carbon credits from 2027.
2. All the members of the International Civil Aviation Organization (ICAO) are mandated to implement the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) from 2027.

Which one of the following is/are correct in respect of the above statements?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

77. With reference to investments models of public-private partnerships in infrastructure projects, consider the following statements about Hybrid Annuity Model (HAM):
1. Under HAM, the total project cost is shared between the government and the private player in a ratio of 60:40 during the construction phase of the project.
2. The government facilitates land acquisition and environmental clearance required for any project under this model.
3. The government has a toll collection right of the asset created under this model.

Which of the statements given above is/ are correct?
(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 2 and 3 only

78. With reference to Export Credit Guarantee Corporation (ECGC), consider the following statements:
1. It is an export promoting organization wholly owned by the Reserve Bank of India.
2. It is responsible for administering the National Export Insurance Account (NEIA) Trust.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

79. Consider the following statements with reference to the Global Partnership on Artificial Intelligence (GPAI):
1. It provides financial assistance to countries for promoting the ethical and responsible use of artificial intelligence.
2. India is a founding member of GPAI.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

80. Consider the following objectives:
1. Ensuring that households in all the statutory towns in the country have access to a tap with assured supply of water and a sewerage connection.
2. Increasing the amenity value of cities by developing greenery and well-maintained open spaces.
3. Reducing pollution by promoting public transport and constructing facilities for non-motorized transport.

Which of the above objectives are included under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

81. Which of the following sectors is/are currently reserved exclusively for the public sector in India?
1. Atomic energy
2. Manufacture and storage of explosive materials

3. Production of defence aircraft and warships
4. Mining of major minerals

Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 1 only
(c) 2 and 3 only
(d) 1, 2, 3 and 4

82. The Union Government of India has envisaged the establishment of PM Ekta Malls in States with the objective of promoting which of the following initiatives?
(a) Stand-Up India Scheme
(b) Production Linked Incentive (PLI) Schemes
(c) One District One Product (ODOP) Initiative
(d) Coir Vikas Yojana

83. Consider the following ports of India:
1. Cochin
2. Mormugao
3. Deendayal
4. Mudra
5. Kamarajar

How many of the above are recognized as major ports in India?
(a) Only two
(b) Only three
(c) Only four
(d) All five

84. Consider the following statements:

Statement-I: India is the second largest producer of cement in the world.

Statement-II: Cement companies operating in India have taken advantage of India's 'Production-linked Incentive' Scheme for Cement Industries.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

85. Which of the following are among the eligibility criteria required for a company to be considered a "Startup" under the Startup India initiative of the Government of India?
1. The period of existence and operations of the company should not exceed 10 years from the date of incorporation
2. The company must be registered as a private limited company.
3. The company should have an annual turnover not exceeding Rs. 100 crore for any of the financial years since its incorporation.
4. The company must have been profitable for at least three consecutive years.

Select the correct answer using the codes given below:
(a) 1, 2 and 3 only
(b) 1 and 3 only
(c) 2 and 4 only
(d) 1, 2, 3 and 4

86. In the context of India, consider the following statements regarding Patents:
1. Patents are territorial rights, meaning they are effective only within the territory of India.
2. The term of a patent is 20 years from the date of filing of the application.
3. Literary, musical or artistic works are eligible to be patented.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

87. Consider the following statements:

Statement I: Non-major ports in India fall outside the ambit of the Indian Ports Act, 1908.

Statement II: Non-major ports in India are under the jurisdiction of respective State Maritime Boards/State Government.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct, and Statement-II explains Statement-I.
(b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I.
(c) Statement-I is correct, but Statement-II is incorrect.
(d) Statement-I is incorrect, but Statement-II is correct.

88. Consider the following statements with reference to the Open Network for Digital Commerce (ONDC):

1. It has been registered as a non-profit organization under the Companies Act, 2013.
2. It is an initiative of the National Payments Corporation of India (NPCI).
3. It seeks to promote interoperability among e-commerce platforms to create an open and inclusive digital commerce ecosystem.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 3 only
(d) 1, 2 and 3

89. With reference to the performance and contribution of the service sector in India, consider the following statements:

1. The share of the service sector in the country's Gross Value Added (GVA) has always been above 50% over the last decade.
2. The service sector GVA has been constantly experiencing positive growth over the last five years.
3. The service sector provides employment to more than 25% of the total workforce in the country.

Which of the statements given above is/are correct?

(a) 1 and 2
(b) 1 and 3
(c) 3 only
(d) 2 and 3

90. Consider the following statements:

Statement I: India's longest operational inland waterway is located in Assam.

Statement II: Assam has the highest navigable length of operational waterways in India.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I.
(b) Both Statement-I and Statement-II are correct but Statement-II does not explain Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

91. With reference to Real Estate Investment Trusts (REITs) in India, consider the following statements:

1. They are regulated by the Reserve Bank of India (RBI).
2. They are permitted to invest in agricultural land.
3. They are allowed to raise funds from both domestic and foreign investors.

Which of the statements given above is/are correct?

(a) 1 and 2
(b) 3 only
(c) 1 and 3
(d) 2 and 3

92. Which one of the following best defines the term "Reverse Flipping", sometimes seen in the news with respect to the Indian Economy?

(a) Taxing companies retrospectively when a new tax law is passed.
(b) An Indian company or startup shifting back its headquarters from a foreign country to India.
(c) A foreign company paying taxes to its home country on profits earned from investments in India.
(d) Foreign owners of e-commerce platforms selling products that belong to other companies.

93. With reference to the Commission of Railway Safety (CRS) in India, consider the following statements:

1. It operates under the administrative control of the Ministry of Railways.
2. Conducting statutory inquiry in serious train accidents occurring on the Indian Railways is one of the key responsibilities of the CRS.

Which of the above statements are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

94. With reference to the Digital Bharat Nidhi (DBN), consider the following statements:

1. It was established by the government as a replacement for the Universal Service Obligation Fund (USOF).
2. The funds under digital Bharat Nidhi can be used to support research and development of telecommunication services, technologies, and products.

3. Contributions made towards the DBN are first credited to the Consolidated Fund of India before being allocated to various DBN projects.

Which of the above statements are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

95. To boost India's indigenous defence production, defence industrial corridors are being set up under the Make in India campaign. In this context, which of the following states in India have established Defence Industrial Corridors?
(a) Maharashtra and Gujarat
(b) Karnataka and Andhra Pradesh
(c) Uttar Pradesh and Tamil Nadu
(d) Andhra Pradesh and Telangana

96. Which of the following correctly describes the function of the District Mineral Foundation (DMF) in India?
(a) It ensures that mining revenues are equitably distributed to promote the welfare and sustainable development of mining-affected communities.
(b) It provides financial incentives to mining companies for adopting eco-friendly extraction technologies.
(c) It provides direct compensation to individuals displaced due to mining activities through cash transfers.
(d) It functions as a regulatory body overseeing environmental compliance in the mining sector.

97. In context of Economy, consider the following statements with regards to Trade secret:
1. It refers to confidential business information that provides a competitive advantage and remains protected as long as they remain secret.
2. Currently there is no dedicated act for protection of trade secrets in India, and they are protected under the principles of the Indian Contract Act, 1872.

Which of the statements given above is/ are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

98. Sabroom Land Port is located in which of the following States of India?
(a) Himachal Pradesh
(b) Tripura
(c) West Bengal
(d) Punjab

99. 'It introduced a three way classification of industries under Schedules A, B and C; and also firmly established the system of industrial licensing in Independent India.'

The above statement best refers to which of the following industrial policies?
(a) Industrial Policy Resolution, 1948
(b) Industrial Policy Resolution, 1956
(c) Industrial Policy Statement, 1973
(d) Industrial Policy Statement, 1977

100. In the context of "Smart Cities Mission", consider the following statements:
1. The Smart City Advisory Forum in every smart city includes Member of Parliament (MP) and Member of Legislative Assembly (MLA) of that respective constituency.
2. All the 28 states in India have at least one smart city developed under the Smart Cities Mission.
3. Madurai is the only Smart City which has completed 100% of smart city projects by December 2023.

Which of the above statements are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

101. In the context of the economy, "Gazelles" and "Cheetahs" refer to:
(a) Companies with no operational activity or assets in reality and often used for tax evasion.
(b) High-net-worth individuals who act as angel investors in emerging businesses.
(c) Multinational corporations that rapidly expand operations in emerging economies.
(d) Startups with high growth potential, expected to become unicorns within a few years.

102. Consider the following statements regarding the Treaty on Intellectual Property, Genetic Resources, and Associated Traditional Knowledge:
1. The treaty mandates patent applicants to disclose the country of origin of genetic

resources when the claimed invention is based on these resources.

2. The treaty was signed under the aegis of the United Nations Environment Programme (UNEP).
3. India opposed the treaty, arguing that it undermines its sovereign rights over biological resources and traditional knowledge.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2
(c) 2 and 3
(d) 1 and 3

103. With reference to Pradhan Mantri Awas Yojana-Urban (PMAY(U)) ,consider the following statements:

1. It has a mandatory provision for the female head of the family to be the owner or co-owner of the house under this Mission.
2. State Cooperative Banks are recognized as one of the lending institutions for the Credit Linked Subsidy Scheme component of the PMAY(U).
3. Only a married individual is eligible to avail the benefits under this mission.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

104. Which of the following statements are correct regarding the SWAYATT initiative?

1. It is an initiative to promote Start-ups in public prcurements.
2. It was launched by the Ministry of Micro, Small and Medium Enterprises.
3. It seeks to increase the benefits of e-Transactions on Government e-Marketplaces (GeM).

Select the correct answer using the code given below:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

105. Consider the following pairs:

Portal	Launched by the Ministry
1. Udyam Portal	Ministry of Micro, Small & Medium Enterprises.
2. CHAMPIONS Portal	Ministry of Commerce & Industry
3. e-Shram Portal	Ministry of Labour and Employment
4. Yuktdhara Portal	Ministry of Rural Development & Panchayati Raj

Which of the pairs given above are correct?

(a) 1, and 3 only
(b) 2, 3, and 4 only
(c) 1, 3, and 4 only
(d) 1, 2, 3, and 4

106. Consider the following statements regarding the National Infrastructure Pipeline (NIP):

1. It clearly defines the term 'Infrastructure' for the first time in India.
2. It includes investment in both greenfield and brownfield infrastructure projects.
3. It will be wholly funded by the public sector Banks.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 only
(c) 3 only
(d) 1 and 3 only

107. Consider the following statements about Rural Electrification Corporation Limited:

1. It is a Navratna Company functioning under the administrative control of the Ministry of Rural Development.
2. It provides loans to the Central and State Sector Power Utilities and Rural Electric Cooperatives for building power generation projects.
3. It is the nodal agency for Pradhan Mantri Sahaj Bijli Har Ghar Yojana and Deen Dayal Upadhaya Gram Jyoti Yojana.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

108. With reference to Corporate Social responsibility (CSR) Amendment rules, 2022, consider the following statements:

1. It mandates companies having net worth of at least 10 crores to spend at least 2% of their average net profit.
2. Expenditure by companies on Social Impact Assessment shall not exceed 10% of total CSR expenditure in a year.
3. It allows companies to carry forward their unutilised funds, in a designated account, for a maximum of three years.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 3 only

109. With reference to the Quality Council of India (QCI), consider the following statements:

1. It is a non-profit organization registered under the Societies Registration Act of 1860.
2. The nodal ministry for QCI is the Ministry of Corporate Affairs
3. QCI started the workplace assessment standard called WASH.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 2 and 3 only

110. Which of the following cannot be patented in India under the Patents Act of 1970?

1. A mere discovery of a scientific principle.
2. A method of agriculture or horticulture.
3. Inventions relating to atomic energy.
4. A computer programme
5. An invention based on traditional knowledge.

Select the correct answer using the code given below.

(a) 1, 3 and 5 only
(b) 2, 3 and 5 only
(c) 1, 2, 3 and 4 only
(d) 1, 2, 3, 4 and 5

111. With reference to Bureau of Energy Efficiency (BEE), consider the following statements:

1. It is a non-statutory body functioning under the Ministry of New and Renewable Energy.
2. One of its primary objective is to reduce the energy intensity of the Indian economy.
3. BEE Star Labelling is mandatory for all kinds of Air Conditioners (ACs).

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 2 only
(c) 2 and 3 only
(d) 1 and 2 only

112. With reference to Sagarmala Programme, which of the following statements are correct?

1. It is a Central Sector Scheme.
2. It aims to reduce logistics costs for exports and imports.
3. The Coastal Berth Scheme is a key initiative under Sagarmala Programme.

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

113. The NIDHI and SAATHI initiatives are related to which of the following?

(a) Promotion of the Tourism and Hospitality industry.
(b) Providing credit facility and digitized identities to the street vendors.
(c) Providing income support to farmers and their families.
(d) Imparting vocational training to non-literates and school dropouts in rural areas.

114. Which of the following pairs are correctly matched?

Industrial Policy	Provision/Feature
1. Industrial Policy Resolution, 1948	It provided that India is going to have a Mixed Economic Model.
2. Industrial Policy Resolution, 1956	The provision of industrial licensing was introduced.

3. Industrial Policy Statement, 1973	This policy set up Central Public Sector Undertakings (CPSUs) for the first time.
4. Industrial Policy Resolution, 1985 &1986	The equity holding of the MNCs in the Indian subsidiaries could be up to 49 per cent.

Select the correct answer using the code given below.
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 2 and 4 only
(d) 1 and 4 only

115. With reference to Swadesh Darshan scheme, consider the following statements:
1. The State Government may designate the Implementing Agency for the projects under the Scheme.
2. The Scheme is fully funded by Central government.
3. Ambedkar Circuit is one of the tourist circuits launched under this scheme.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

116. With reference to the Semiconductors manufacturing in India, which of the following statements is/are correct?
1. Chip design and manufacturing is a highly capital-intensive business.
2. Product Linked Incentive scheme provides fiscal support to firms looking to set up semiconductor fabrication facilities in India.
3. The government has set up the India Semiconductor Mission as a specialized and independent division of the National Informatics Centre.

Choose the correct answer using the codes given below:
(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) 2 only

117. Consider the following statements regarding the coal mining sector in India:
1. Currently, prior mining experience in coal mining is not mandatory for bidding for coal blocks in India.
2. Only the companies registered in India can bid in the auction of the coal mines.
3. The captive miners can sell their coal stocks in the open market.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

118. Consider the following statements with reference to the Renewable Purchase Obligation (RPO) in India:
1. Under this, all the goods manufacturing industries are obligated to obtain a minimum amount of their energy needs from Renewable Energy Sources.
2. India first adopted the RPO mechanism in 2015, to realize India's obligation under the Paris Climate Agreement.

Which of the above given statements is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

119. Consider the following statements with reference to the Special Economic Zones (SEZs) in India:
1. India does not have a specific SEZ legislation to provide statutory backing to such areas.
2. Entities in the SEZs are allowed duty-free import of goods for the operation and maintenance of SEZ units.
3. Units can be set up in SEZs only for manufacturing of goods and not for rendering services.
4. An entity in SEZ is prohibited from subcontracting its business operations to other entities in SEZs.

Which of the above given statements is/are correct?
(a) 2 only
(b) 2 and 4 only
(c) 1, 2 and 3 only
(d) 3 and 4 only

120. Which among the following best describes the 'Q-commerce' model, as seen in the news recently?

(a) A model of e-commerce that specifically focuses on rural areas and backward regions of the country.
(b) A model of e-commerce that emphasizes quick and fast delivery of goods to consumers.
(c) A model of e-commerce that promotes environmentally friendly and sustainable business practices.
(d) A model of e-commerce that targets rich consumers with luxurious and expensive products.

121. Consider the following statements with reference to the PM MITRA Scheme:

1. The scheme aims to improve the infrastructure facilities of the textile industry.
2. It provides support for both Greenfield and Brownfield projects.
3. The capital requirements of the projects under the scheme are fully funded by the Central Government.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

5.2. Insurance Sector

122. Consider the following:

1. Deposits of foreign governments
2. Inter-bank Deposits
3. Recurring Deposits
4. Investments in mutual funds
5. Central Government Deposits

How many of the above are **not** insured by Deposit Insurance and Credit Guarantee Corporation (DICGC)?

(a) Only two
(b) Only three
(c) Only four
(d) All five

123. Consider the following statements with reference to the Insurance Regulatory and Development Authority of India (IRDAI):

1. It is a non-statutory body.
2. It functions under the Ministry of Commerce and Industry.
3. It can adjudicate disputes between insurers and intermediaries.

Which of the statements given above are correct?

(a) 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

124. In context of finance, the term 'Bancassurance' refers to:

(a) A type of cryptocurrency used exclusively for banking and insurance transactions.
(b) A microfinance scheme for rural entrepreneurs with secured insurance coverage.
(c) A regulatory body jointly overseeing banking and insurance operations.
(d) A partnership between a bank and an insurance company to sell insurance products.

125. With reference to the functions and powers of the Insurance Regulatory and Development Authority of India (IRDAI), consider the following statements:

1. It decides the premium rates charged for all types of insurance products in India.
2. It decides foreign direct investment limits in the Indian insurance sector.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

126. In the context of the insurance sector, the term "Insurance Density" refer to:

(a) The ratio of premium underwritten in a particular year to the GDP.
(b) The ratio of total insurance policies to the working population.
(c) The ratio of total insurance premiums to the total population.
(d) The ratio of insured individuals to the total population.

127. An individual with a savings account in a Primary Cooperative bank, where the principal amount in that account was Rs.5,10,000 and the accrued interest was Rs.4000. How much of the amount would be insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC)?

(a) Rs. 5,10,000
(b) Rs. 5,14,000
(c) Rs.5,00,000
(d) None of the amount would be insured as Primary cooperative banks deposits are not covered by DICGC.

128. With reference to motor vehicle insurance, consider the following statements about third party insurance:

1. It is mandatory only for vehicles carrying dangerous or hazardous goods in India.
2. It does not cover the risk of damage or life of the owner of the vehicle who takes part in the insurance contract.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

129. With reference to the National Pension System (NPS), consider the following statements:

1. It is mandatory for all central and state government employees to join NPS.
2. There is no minimum limit on the investment amount under the NPS.
3. Non-Resident Indians (NRIs) are eligible to open an NPS account.
4. On maturity, the subscriber can withdraw the entire accumulated corpus as a lump sum.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 3 only
(c) 1, 2 and 4 only
(d) 2 and 4 only

130. Consider the following events in the history of the Indian insurance sector:

1. Nationalization of life insurance in India
2. Incorporation of the Insurance Regulatory and Development Authority of India (IRDAI)
3. Liberalization and opening up of the insurance sector to private players
4. Formation of the General Insurance Corporation of India

Which of the following options represents the correct chronological sequence of these events?

(a) 1-2-4-3
(b) 4-1-2-3
(c) 1-4-3-2
(d) 4-1-3-2

131. With reference to the insurance sector in India, consider the following statements:

1. Insurance penetration refers to the ratio of total insurance premium paid to the total population of the country in a given year.
2. Insurance density refers to the ratio of total insurance premium paid to the GDP of the country in a given year.

Which of the statements above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

132. Consider the following:

1. Registration of insurance companies
2. Licensing insurance intermediaries
3. Fixing the premium rates of life insurance
4. Ensuring the insurance coverage in rural areas

How many of the above are the functions/ duties of the Insurance Regulatory and Development Authority of India (IRDAI)?

(a) Only one
(b) Only two
(c) Only three
(d) All four

133. Consider the following parameters:

1. Size of operations in terms of revenue.
2. Global activities across more than one jurisdiction.
3. Lack of substitutability of their products/ operations.

How many of the above parameters are considered for the identification of Domestic Systemically Important Insurers (D-SIIs) by the Insurance Regulatory and Development Authority of India?

(a) Only one
(b) Only two
(c) All three
(d) None

134. With reference to the Employees' State Insurance Scheme (ESI), consider the following statements:

1. Casual workers such as those engaged in the construction activities can be covered by this scheme.

2. The scheme requires all employees to pay their contribution to avail benefits under this scheme.
3. The scheme provides cash benefits to male as well as female employees to promote acceptance of sterilisation methods.

Which of the statements given above is/are correct?

(a) 1, 2 and 3
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1 only

135. With reference to Indian Insurance sector, consider the following statements:

1. At present, the Government of India permits 100% Foreign Direct Investment in the insurance sector.
2. The Government mandates that all the members of the Board of Directors of all insurance companies must be resident Indians.

Which of the following statements is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

136. Which of the following statements is incorrect with respect to the differences between Old Pension Scheme (OPS) and New Pension Scheme (NPS)?

(a) Unlike OPS, employee's contribution is generally mandatory in NPS to avail pension benefits.
(b) Unlike NPS, a ten-year service requirement is necessary to avail benefits under OPS.
(c) Unlike OPS, Private employees can become beneficiaries of the NPS scheme.
(d) While the Provident fund facility is available under NPS, it is not available under OPS.

SOLUTIONS

5.1. Infrastructure and Industries

1. Solution: (a)

Exp) Option a is the correct answer.

The International Financial Services Centres Authority (IFSCA) has been established on April 27, 2020, under the International Financial Services Centres Authority Act, 2019. It is a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centres (IFSC). IFSC is located in Gujarat International Finance Tec-City (GIFT City) in Gandhinagar, Gujarat.

Statement 1 is incorrect: IFSCA is a statutory body established under the International Financial Services Centres Authority Act, 2019 **(not under the Foreign Exchange Regulation (FERA) Act, 1973).**

Statement 2 is incorrect: The Union Finance Minister is not the ex-officio chairperson of the IFSCA. Rather the chairperson is appointed by the Union Government and the IFSCA is a seven-member body including one chairperson and six other members.

Statement 3 is correct: It is true that **IFSCA can sign an international agreement to facilitate further the advancement in FinTech, for** example, the IFSCA signed an agreement with the Monetary Authority of **Singapore** (MAS). This agreement promotes regulatory cooperation and partnership in FinTech and aims to utilize **regulatory sandboxes for technology experimentation.** Also, IFSC signed international agreements with **Dubai, Qatar** to promote FinTech technology.

2. Solution: (d)

Exp) Option d is the correct answer

The Government e-Marketplace (GeM) system has resulted in a 10% savings in public procurement costs in five years, but has still tapped only 5% of India's total government purchases of about Rs 20 lakh crore a year. Features of GeM are:

Statement 1 is incorrect - The procurement of goods and services by Ministries and the Central Public Sector Enterprises (CPSEs) is mandatory for goods and services available on GeM. **GeM is not mandatory for State Governments.** It is left to their discretion to procure through GeM. However, some State Government organizations are making procurement through GeM viz Chhattisgarh, Madhya Pradesh, Kerala, Himachal Pradesh etc.

Statement 2 is incorrect – GeM is developed by the Union Ministry of Commerce and Industry **and not by Ministry of Finance.** Directorate General of Supplies and Disposals (DGS&D) under the Ministry of Commerce acts as the nodal agency for implementation.

Statement 3 is correct – GeM has made it mandatory for sellers to enter the Country of Origin while registering all new products on GeM. GeM has also enabled a provision for indication of the percentage of local content in products. With this new feature, now, the Country of Origin as well as the local content percentage are visible in the marketplace for all items. GeM has taken this significant step to promote 'Make in India' and 'Aatmanirbhar Bharat'.

3. Solution: (c)

Exp) Option c is the correct answer.

In India, the Special Economic Zone (SEZ) policy was introduced to create designated areas with special economic regulations, infrastructure, and incentives to attract domestic and foreign investments. The aim was to enhance economic activities, promote exports, generate employment, and contribute to overall economic development.

Statement 1 is correct: Special Economic Zones (SEZs) are designated geographic areas where economic laws, regulations, and policies are more liberal and business-friendly than the surrounding domestic laws. They are established to promote economic activities, exports, and investments.

Statement 2 is correct: SEZ units benefit from a 100% income tax exemption on their profits from export for the initial **five years,** governed by Section 10AA of the Income Tax Act. Additionally, SEZs are exempt from the Goods and Services Tax **(GST) and state government levies,** with supplies to SEZs being categorised as zero-rated under the **Integrated GST Act,2017** implying they are not subject to taxation.

Statement 3 is correct: SEZs are intended to encourage investment, and they are **open to both domestic and foreign investors.** They provide a conducive environment for businesses to establish operations, attract foreign direct investment (FDI), and promote economic growth.

Statement 4 is incorrect: India is not the first nation to establish a Special Economic Zones (SEZs) in the Asian continent. For example: **China** initiated its Special Economic Zones (SEZs) in **1980** itself (in India SEZ was intrduced only in 2000s). The success of these zones played a significant role in China's rapid economic growth and transformation into a global economic powerhouse.

4. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct. Compulsory licensing is when a government allows someone else to **produce a patented product or process without the consent of the patent owner** or plans to use the patent-protected invention itself.

Statement 2 is correct. Compulsory licensing is **one of the flexibilities in the field of patent protection included in the WTO's agreement on intellectual property — the TRIPS** (Trade-Related Aspects of Intellectual Property Rights) Agreement.

Statement 3 is *incorrect.* Indian laws allow the grant of Compulsory licensing of Patents.

An **Indian company can apply for a compulsory license under Section 84 of the TRIPs-compliant Indian Patents Act.** The Controller of Patents can issue a compulsory license under Section 92 of the Act.

Under Section 84, a company can be given compulsory license if it is able to show one of the three circumstances exists: i) reasonable requirement of the public with regard to the patented invention not being satisfied, or ii) that the patented invention is not available to the public at the reasonably affordable price; or iii) that the patented invention is not worked in the territory of India.

India's first ever compulsory license was granted by the Patent Office on March 9, 2012, to Hyderabad-based Natco Pharma for the production of a generic version of Bayer's Nexavar, an anti-cancer agent used in the treatment of liver and kidney cancer.

5. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct. The Competition Commission of India (CCI) was established in October 2003 by the Government of India **under the Competition Act, 2002.** Competition Commission of India (CCI) is **a statutory body of the Government of India** responsible for enforcing the Competition Act, 2002.

Statement 2 is incorrect. The Commission consists of **a Chairperson and not more than 6 Members** appointed by the Central Government.

According to Section 8 of the Competition Act, "The Chairperson and every other Member shall be a person of ability, integrity and standing and who has special knowledge of, and such professional experience of not less than fifteen years in, international trade, economics, business, commerce, law, finance, accountancy, management, industry, public affairs or competition matters, including competition law and policy, which in the opinion of the Central Government, may be useful to the Commission."

So, there is no such requirement that the Chairman of CCI is always a retired judge of the Supreme Court or any High Court in India.

Statement 3 is correct. The Commission has the power **to inquire into any alleged contravention of the provisions of the Act on its own motion.** Under Section 19 of the Act, the Commission is empowered to Inquire into certain agreements and the dominant position of enterprise.

It is the statutory duty of the Commission to eliminate practices having adverse effects on competition in the market. It is duty bound to promote and sustain competition, protect the interests of consumers and ensure freedom of trade in the markets of India.

The Commission is also mandated to give its opinion on competition issues to the government or any statutory authority. It is also mandated to undertake competition advocacy for creating awareness of competition law.

Statement 4 is incorrect. The Commission is empowered to impose monetary penalties on the companies. Presently, the CCI can impose a penalty of up to 10% of a company's average turnover of the last three years.

6. Solution: (c)

Exp) Option c is the correct answer.

Under the Swiss Challenge method of procurement, a candidate makes a proposal for a project, which the government puts before the public to seek more proposals. Once these are received, the original candidate is allowed to match the best bid.

The method was upheld by the Supreme Court of India for awarding public projects and the Government of India has tried out this method in road and railway projects.

Statement 1 is correct: The **Swiss Challenge allows a seller to mix-and-match the features of both an open auction** and a closed tender to discover the best price for an asset.

Statement 2 is correct: If Swiss Challenge **is applied to bankruptcy cases, banks may get to maximize more from the auction of stressed assets.**

Statement 3 is correct: If applied to public projects, it **may lead to more innovative project proposals and quicker execution,** as a bidder with a good idea needn't wait for the government to set the ball rolling.

Statement 4 is *incorrect*: But on the flip side, by allowing a bidder to initiate an idea and giving him the first right of refusal, **the Swiss Challenge can promote favouritism in the award of public projects, opening the doors to corruption.** To guard against this, legal experts suggest an open list of public projects that allow Swiss Challenge and full public disclosure of bid details when the government receives a proposal.

7. Solution: (b)

Exp) Option b is the correct answer.

The Index of Industrial Production (IIP) and the Purchasing Managers' Index (PMI) are both important economic indicators used to assess the performance and trends in the industrial sector.

Statement 1 is incorrect: The Index of Industrial Production **(IIP)** assesses the performance of various **Industries. The IIP is a monthly indicator that measures the growth of industrial output in three sectors: mining, manufacturing, and electricity. The IIP is a key economic indicator of the manufacturing sector.**

On the other hand, the Purchasing Managers Index **(PMI)** primarily focuses on the **manufacturing sector and service sectors. PMI is a survey-based measure** that asks the respondents about changes in their perception about key business variables. It is calculated separately for the **manufacturing and services** sectors and then a composite index is also constructed.

Statement 2 is correct: The Index of Industrial Production (IIP) is published by a government agency, while the Purchasing Managers Index (PMI) is compiled by a private

sector organisation. The **IIP is compiled and published monthly by the Central Statistical Organisation (CSO),** Ministry of Statistics and Programme. On the other hand, **PMI is compiled by IHS Markit, an integral part of S&P Global.**

8. Solution: (b)

Exp) Option b is the correct answer.

Statement a is correct- The RAMP initiative is specifically designed to **support MSMEs in recovering from the economic impact of the COVID-19 pandemic.** It provides financial assistance to MSMEs, as well as training and other support services to help them adapt to the changing business environment.

Statement b is incorrect- The **Raising and Accelerating MSME Performance (RAMP)** initiative is assisted by the **World Bank,** not the **International Monetary Fund (IMF).** The RAMP scheme has a total budget of Rs. 6,062.45 crore, with Rs. 3,750 crore as a loan from the World Bank, and the remaining Rs. 2,312.45 crore provided by India.

Statement c is correct- One of the key objectives of the RAMP initiative is to **improve access to market and credit for MSMEs.** This is being achieved by providing MSMEs with support for market research, product development, and export promotion. It is also being achieved by providing MSMEs with access to credit guarantees and collateral support.

Statement d is correct- The RAMP scheme does not specifically mention support for the adoption of green technologies and practices. However, it **does aim to improve the competitiveness and performance of MSMEs, which could include the adoption of green technologies and practices.**

9. Solution: (c)

Exp) Option c is the correct answer.

Power generation, transmission, and distribution are the three main processes involved in the power sector. Distribution is done by the Distribution Companies (DISCOMs) which connect power producers to the households. They are the interface between utilities and the consumers.

Statement 1 is correct: Under the Indian Constitution, power is **a concurrent subject** and the responsibility for distribution and supply of power to rural and urban consumers rests with the states.

Statement 2 is correct: Distribution Companies (DISCOMs) in India **are predominantly owned by the state governments.** Private DISCOMs are also operational in India but are limited to a few cities like Delhi and Mumbai.

Statement 3 is incorrect: DISCOMs were able to charge higher tariffs from commercial and industrial consumers to cross-subsidize agricultural and low-income households. **However, high-tariff paying consumers are migrating to alternative sources of energy like solar.** This is happening due to two reasons: an increase in funding at national and global level towards cleaner options and secondly, the average cost per unit for commercial and industrial consumers has dropped considerably. **This reduced reliance of high tariff paying consumers on DISCOMs will only worsen their already weak financial position.**

10. Solution: (b)

Exp) Option b is the correct answer

TReDS(Trade Receivables Discounting System) is an institutional mechanism set up in order to facilitate the discounting of invoices for MSMEs from corporate buyers through multiple financiers. It involves three participants MSME Supplier, Corporate Buyer and Financier. It is a platform for uploading, accepting, discounting, trading and settling invoices / bills of MSMEs and facilitating both receivables as well as payables factoring (reverse factoring). It is an electronic platform.

Option a is incorrect. Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE) – It is a platform for third-party guarantee-free loans to the Micro and Small enterprises (MSEs), especially in the absence of collateral. It provides Credit guarantee for loans up to Rs. 2 crores, without collateral and third-party guarantee.

Option c is incorrect. SFURTI (Scheme of Fund for Regeneration of Traditional Industries) -a platform to support traditional artisans to provide sustainable employment

Option d is incorrect. Emergency Credit Line Guarantee Scheme (ECLGS)- is a post COVID Resilience and Recovery Programme to revitalize the MSME sector.

11. Solution: (d)

Exp) Option d is the correct answer.

CHAMPIONS (Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength) has been launched by the Ministry of Micro, Small and Medium Enterprises as a single window system for the MSMEs. It will aim at Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength. Accordingly, the name of the system is CHAMPIONS. This is basically for making the smaller units big by helping and handholding, in particular, by solving their problems and grievances

The ministry has put down following objectives:

1) To help the MSMEs in difficult situation in terms of finance, raw materials, labour, permissions, etc.
2) To identify the sparks, i.e., the bright MSMEs who can withstand at present and become national and international champions.
3) To help the MSMEs capture new opportunities in manufacturing and services sectors.

Hence, Option d is correct.

12. Solution: (d)

Exp) Option d is the correct answer.

National Investment and Manufacturing Zone (NIMZ) needed 5,000 hectares (or 12355.26 acres) of contiguous

land and has been identified as one of the key instruments of Centre's National Manufacturing Policy to step up share of manufacturing in GDP.

Statement 1 is incorrect: NIMZ is envisaged under the **National Manufacturing Policy 2011** (Not under the **New Industrial Policy of 1991).**

Statement 2 is correct: To enable the NIMZ to function as a self-governing and autonomous body, it will be **declared by the State Government as an Industrial Township under Article 243 Q (1)(c) of the Constitution.** These are managed by a special purpose vehicle headed by government officials. The Centre will provide financial support for trunk infrastructure while internal infrastructure will be developed on a PPP (public private partnership) mode for which access to viability gap funding would be provided.

Statement 3 is incorrect: NIMZs are conceptualised as integrated industrial townships of at least 50 sq km (5,000 hectares) with state-of- the-art infrastructure. And **at least 30 per cent (not 75%)** of the total land area would be devoted to manufacturing units.

13. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: India is the second largest producer of crude steel In FY21, the production of crude steel and finished steel stood a 102.49 MT and 94.66 MT, respectively. In FY22, crude steel production in India is estimated to increase by 18%, to reach 120 million tones, driven by rising demand from customers.

Statement 2 is incorrect. PLI scheme is not extended to all grades of steel manufacturing units in India registered under companies act 2013 but to those which are engaged in manufacturing of the identified "Specialty steel" grades, subject to the input material being melted and poured within the country using iron ore/scrap/sponge iron/pellets etc.

Statement 3 is incorrect. India has huge deposits of high-grade iron ore, but the main challenges faced by this industry is the of high-grade coking coal for smelting iron which are limited. Many steel plants are forced to import metallurgical coal.

14. Solution: (c)

Exp) Option c is the correct answer.

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) were **launched in India in 2014. REITs are trusts that own and operate income-generating real estate properties.** These properties include office buildings, shopping malls, hotels, residential apartments and warehouses, etc. **InvITs invest in infrastructure assets such as roads, highways, power plants, airports, and telecommunication towers, rather than real estate properties.**

Statement 1 is correct: Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) are two instruments that **allow investors to invest in real estate without actually owning physical properties.** The two investment vehicles REITs and InvITs allow investors to invest in an affordable and more convenient way. **They work like mutual funds** as they pool money from multiple investors and **these assets are managed by professional** fund managers. **The investors are issued 'units' against their investments.**

Statement 2 is correct: The REITs have to mandatorily make 80% of their total investments in rental or other income generating commercial properties. The remaining 20% of the assets of the trust can be held in cash, stocks, bonds or commercial properties that are under construction. Hence, the given statement is correct.

Statement 3 is incorrect: An individual investor can invest in both REITs as well as InvITs**. In other words, it is not true that only an institutional investor can invest in InvITs. The underlying idea behind these investment vehicles is to allow small investors to invest in real estate and infrastructure properties, who cannot afford to directly buy the physical properties. Hence, the given statement is incorrect.**

15. Solution: (a)

Exp) Option a is the correct answer.

The National Bank for Financing Infrastructure and Development (NaBFID) aims to support the development of long-term infrastructure financing in India. It also strives for the development of the bonds and derivatives markets necessary for infrastructure financing.

Statement 1 is incorrect: Section 4 of the NaBFID Act,2021 deals with the purpose and objectives of the Institution. The primary financial goal of the Institution is to provide loans and investments, while also attracting contributions from private sector investors and institutional investors for infrastructure projects. **Such infrastructure projects can be situated in India or situated partly in India and partly outside India.** Hence, the statement given is incorrect.

Statement 2 is incorrect: Shares of NaBFID may be held by: (i) central government, (ii) multilateral institutions, (iii) sovereign wealth funds, (iv) pension funds, (v) insurers, (vi) financial institutions, (vii) banks, and (viii) any other institution prescribed by the central government. Initially, the central government is to own 100% shares of the institution which may subsequently be reduced up to 26%.

Statement 3 is correct: Reserve Bank of India **(RBI) vide its letter dated March 8, 2022, has notified that NaBFID shall be regulated and supervised by RBI as an All-India Financial Institution (AIFI) under sections 45L and 45N of the RBI Act, 1934, respectively.**

16. Solution: (a)

Exp) Option a is the correct answer.

PM Gati Shakti aims to break Departmental silos and institutionalize holistic planning for stakeholders across major infrastructure projects. It will foster multi-modal connectivity to provide integrated and seamless connectivity for movement of people, goods and services.

Statement 1 is correct: It aims for integrated planning and coordinated implementation of infrastructure connectivity projects across different Ministries. The individual Ministries will be given separate user identification (login ids) to update their data on a periodic basis. The data of all the individual Ministries will be integrated in one platform which will be available for planning, review and monitoring.

Statement 2 is incorrect: Gati Shakti plan has been developed as a Digital Master Planning tool by **BISAG-N (Bhaskaracharya National Institute for Space Applications and Geoinformatics).** It has been prepared in dynamic Geographic Information System (GIS) platform. Dynamic mapping of all infrastructure projects with real- time updation will be provided by way of a map developed by BISAG-N.

Statement 3 is incorrect: PM Gati Shakti is developed as a transformative approach for economic growth and sustainable development. It identifies 7 engines-

1. Railways
2. Roads
3. Ports
4. Waterways
5. Airports
6. Mass Transport
7. Logistics Infrastructure

Social infrastructure projects like hospitals and schools are not explicitly included as one of the engines under this plan.

17. Solution: (d)

Exp) Option d is the correct answer.

A public–private partnership (PPP) is an arrangement between a government and private sector institutions. Typically, it involves private capital financing government projects and services up-front, and then drawing revenues from taxpayers and/or users over the course of the PPP contract.

Statement 1 is correct: In the 'Build-Operate-Transfer-Toll (BOT Toll) Model, the private party used to cover "all risks" related to - land acquisition, construction (damage), inflation, cost over-runs caused by delays and commercial. **The government is responsible for regulatory clearances.**

Statement 2 is correct: In the BOT Annuity model, the private players are offered a fixed amount of money annually (called 'annuity') as compensation - the party bidding for the minimum 'annuity' used to get the project. **Toll collection is the responsibility of the Government.**

Statement 3 is correct: Engineering-Procurement-Construction (EPC) is fully covered by the Government together with the majority of the risks—land acquisition, cost over-runs due to delay, inflation and commercial. This is a PPP model for the development of infrastructure projects, especially highways. Under this model, the **cost is completely borne by the government.**

Statement 4 is correct: Hybrid Annuity Model (HAM) is a mix of EPC and BOT-Annuity models. In this model **the project cost is shared by the government and the private player in ratio of 40:60, respectively.**

18. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct. The Government of India announced its first industrial policy resolution on 6 April,1948. The policy resolution laid stress on the role of the state in the development of industry. The **Industrial Policy of 1948 laid down the foundation of a mixed economy** wherein the public sector (the state) and the private sector were to co-exist and work in their demarcated areas.

Statement 2 is correct. Industrial Policy Resolution (30 April, 1956) was also regarded as the "Economic Constitution of India". Major Objectives of Industrial Policy Resolution (30 April, 1956) are as follows: improving living standards and working conditions for the mass of the people; to reduce disparities in income and wealth; to prevent private monopolies and concentration of economic power.

Statement 3 is correct. Industrial Policy Statement of July, 1980 was based on Industrial Policy Resolution (30 April, 1956). The major objectives are as follows: Optimum utilisation of installed capacity; Maximum production and achieving higher productivity; Higher employment generation; **Promotion of export-oriented industries;** Consumer protection against high prices and bad quality; Correction of regional imbalances; Strengthening of the agricultural base through agro based industries and promotion of optimum intersectoral relationship.

19. Solution: (d)

Exp) Option d is the correct answer.

India Infrastructure Project Development Fund Scheme (IIPDF) was launched by the Union Ministry of Finance for potential PPP projects to cover private players' costs of engaging consultants and transaction advisors thereby increasing the quality and quantity of successful PPPs.

Statement a is correct: India Infrastructure Project Development Fund Scheme (IIPDF) scheme is a central sector scheme. Hence it will be fully funded by the Union Government. The scheme will aid development of quality Public Private Partnership (PPP) projects by providing necessary funding support to the eligible projects.

Statement b is correct: The Scheme is administered by Department of Economic Affairs, Ministry of Finance.

Statements c is correct: It is true that the **IIPDF provides interest free loans for private players to implement Public Private Partnership (PPP) projects** to cover their cost.

Further the scheme provides **project costs to sponsoring authorities of PPP projects before the commencement of project.** The IIPDF will contribute up to **75%** of the project development expenses to the Sponsoring Authority as an **interest-free loan.** The balance 25% will be co-funded by the Sponsoring Authority. On successful completion of the

bidding process, the project development expenditure would be recovered from the successful bidder.

Statement d is incorrect: Chairman of the approval Committee is Joint Secretary of Infrastructure Support and Development Division under Department of Economic Affairs, Ministry of Finance. Other members of the committee include representative from Private Investment Unit of Department of Economic Affairs and a representative from NITI Ayog (below rank of Vice chairman of NITI AYOG).

20. Solution: (c)

Exp) Option c is the correct answer.

By the end of May 2023, according to the Central Electricity Authority (CEA) the total installed capacity of power generation in India was 4,17,668 MW.

Option 2: Nuclear Power 1.6% of total installed capacity of power generation in India. Hence Nuclear power is the least contributor of total electricity generated in India.

Option 3: Wind energy contributes to 10.3% of total installed capacity of electricity generation in India i.e. 42,868MW is the fourth largest after thermal, solar and hydel power.

Option 4: Solar energy contributes 16.1% of total installed capacity of power generation in India i.e. 67,078MW standing as the **second largest source (after thermal power)**.

Option 1: Thermal Power contributes to **56.8% of total installed capacity** of power generation in India i.e. 2,37,269MW. Thus thermal power is the single largest source of power generation in India.

Knowledge Base: Of the total installed capacity of power generation in India which amounts to 4,17,668 MW, **hydropower contributes about 11.2% i.e. 46,850 MW.**

21. Solution: (b)

Exp) Option b is the correct answer.

The Physical and Digital infrastructure is of paramount importance for India's economic growth, social development, and competitiveness on a global scale. Following are some of the initiatives of the Government of India to promote digital and physical infrastructure:

Pair 1 is incorrect: The National Monetization Pipeline (NMP) is designed to unlock the value of existing public sector assets and infrastructure. The programme does **not aim to sell the ownership rights of the Government assets,** rather it involves the **monetization by leasing or renting of certain brownfield** infrastructure assets owned by the government. Monetization, in this context, typically refers to **long-term leases or concession agreements** where private entities invest in, operate, and maintain these assets for a specified period.

Pair 2 is incorrect: UDAN (Ude Desh Ka Aam Nagrik) aims to promote regional air connectivity and make air travel affordable for the common citizen. The program was launched by the Ministry of Civil Aviation to enhance accessibility to various regions, boosting economic development, and improving overall connectivity across the country.

Krishi UDAN 2.0 is a scheme that aims to transport perishable products from one region especially hilly areas and Northeastern areas, to enable farmers to realize better income for their produce.

Pair 3 is correct: UMANG stands for Unified Mobile Application for New-age Governance. It is a digital initiative that provides a unified platform for accessing a **wide range of e-Governance services offered by various government departments and agencies.** UMANG allows citizens to access services such as applying for passports, paying utility bills, checking exam results, and more through a single mobile app, simplifying access to government services.

Pair 4 is correct: The BharatNet project aims to enhance digital connectivity in rural and remote areas of India by providing high-speed broadband services. The project aims to **connect 2.5 lakh Gram Panchayats (GPs) with optical fiber**, and being implemented by Bharat Broadband Network Ltd. (BBNL). Its goal is to enable the provision of e-governance, e-health, e-education, e-banking, Internet, and various other services to rural areas in India.

22. Solution: (d)

Exp) Option d is the correct answer.

The **Competition Commission of India** (CCI) recently passed two separate orders against the tech giant Google. The two orders-imposed penalty of INR 1337 crore and INR 937 crore (total INR 2237 crore) on Google for abuse of dominant market position.

Statement 1 is incorrect: Monopolistic and Restrictive Trade Practices Act (MRTP) Act was repealed and replaced by the Competition Act. The Competition Act was passed in 2002, on the recommendations of **Raghavan Committee**. Competition Act of 2002 emerged as an improvement over Monopolistic and, Restrictive Trade Practices Act (MRTP) act to shift the focus from controlling monopoly to initiating competition in the economy. MRTP Act was a competition law, that was created in India, in 1970 to prevent concentration of economic power in few hands.

Statement 2 is incorrect: Dominance of a firm was determined by its size according to the MRTP act, which was repealed and replaced by Competition Act, 2002. The dominance of a firm in the market is **determined by its structure** in the case of Competition Act. Section 4 of the Competition Act, 2002 determines the dominant position by whether the enterprise is in such a **position of economic strength that it can operate independently of competitive forces; or can affect the relevant market in its favour.**

(A dominant firm is one which account for a significant share of a given market and has a significantly larger market share than its next largest rival).

Statement 3 is incorrect: According to the Competition Act, Competition Commission of India can act on a **complaint filed by an informant** pertaining to an anti-trust activity or **can take action Suo motu.** Through this provision, it acts

as a competition regulator, and an antitrust watchdog for smaller organizations that are unable to defend themselves against large corporations.

23. Solution: (a)

Exp) Option a is the correct answer.

The Government of India has established the Public Private Partnership Appraisal Committee (PPPAC) to rationalise and expedite the appraisal and approval process for Central Sector Public-Private Partnership (PPP) projects. The primary objective behind forming the PPPAC is to facilitate prompt project appraisal, mitigate delays, and standardise the appraisal procedures.

Statements 1 and 2 are incorrect: The Public Private Partnership Appraisal Committee (PPPAC) is a committee operating under the Department of Economic Affairs (DEA), Union Ministry of Finance and not a statutory body. It is chaired by the Secretary, DEA, not the Union Minister of Finance.

It is not a statutory body under the Companies (Amendment) Act 2020.

Statement 3 is correct: It is true that **Central Sector** Public Private Partnership **(PPP) projects above Rs 250 crore** in value are sent **to PPPAC for approval.** The proposal once approved by PPPAC, will be sent to respective ministries, the Union Finance Ministry and Cabinet Committee on Economic Affairs (CCEA) based on the project value for final approval.

24. Solution: (d)

Exp) Option d is the correct answer.

The 'National Monetisation Pipeline' was launched in 2021. The pipeline has been developed by NITI Aayog. It aims to lease out public assets to private entities for revenue generation. It involves engaging private operators for government-owned, revenue-generating assets. The NMP included assets with monetisation potential of Rs. 6 lakh crore during the four year period.

In an asset monetisation transaction, the government is basically transferring revenue rights to private parties for a specified transaction period in return for upfront money, a revenue share, and commitment of investments in the assets.

Statement 1 is incorrect. NMP aims to unlock value in brownfield projects by engaging the private sector. The asset is to be **transferred to the private sector with revenue rights and not ownership** in the projects. The primary ownership of the assets under these structures, hence, continues to be with the Government.

The funds so generated are to be used for infrastructure creation across the country.

Statement 2 is incorrect. NMP involves monetization of only brownfield projects, and not greenfield projects.

Statement 3 is incorrect. The Monetization through NMP **only includes core assets. Monetization through disinvestment and monetization of non-core assets have not been included** in the NMP. Further, currently, only assets of central government line ministries and CPSEs in infrastructure sectors have been included.

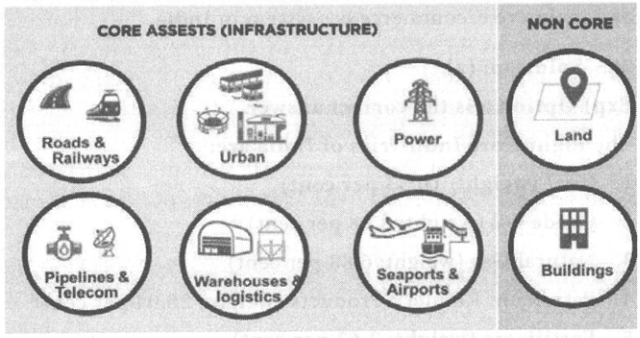


Figure 7: Core and Non-Core Asset Classes

Of the core assets which are generating revenue or those which have substantially completed facilities and can be augmented for future operations have been considered as potential core assets for monetization therein.

Important Tips

1. Roads, railways and power sector assets will comprise over 66% of the total estimated value of the assets to be monetised.
2. The sectors included are roads, ports, airports, railways, warehousing, gas & product pipeline, power generation and transmission, mining, telecom, stadium, hospitality and housing.
3. The top 5 sectors (by estimated value) capture ~83% of the aggregate pipeline value. These top 5 sectors include: Roads (27%) followed by Railways (25%), Power (15%), oil & gas pipelines (8%) and Telecom (6%).

25. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct- Open Network for Digital Commerce (ONDC) is a **government-supported platform** that makes **e-commerce more open and accessible.** It allows **buyers to purchase goods from different e-commerce sites,** even **if they're registered on different platforms.** Currently, buyers and sellers must use the same app and platform for transactions (for example, to buy a product listed on amazon, you would have to use amazon app only), but ONDC changes that, enabling **cross-platform transactions.**

Thus its objective is **"democratizing" the rapidly expanding digital e-commerce sector in the country,** presently dominated by two U.S.-based companies, **Amazon and Walmart.**

Statement 2 is correct- ONDC is based on **open-source principles and open standards.** It will enable buyers and sellers to interact with each other directly, **without having to rely on any centralized platform.** This will make e-commerce more accessible to small businesses and consumers alike.

Statement 3 is incorrect- The Open Network for Digital Commerce (ONDC) was launched by the **Department for Promotion of Industry and Internal Trade (DPIIT) under**

the Ministry of Commerce and Industry, Government of India. It is a non-profit company that aims to create an open and inclusive e-commerce ecosystem in India.

26. Solution: (a)

Exp) Option a is the correct answer.

The **Eight Core Industries of India are:**

1. **Coal (weight: 10.33 per cent)**
2. Crude Oil (weight: 8.98 per cent)
3. Natural Gas (weight: 6.88 per cent)
4. Petroleum Refinery Products (weight: 28.04 per cent)
5. **Fertilizers (weight: 2.63 per cent)**
6. Steel (weight: 17.92 per cent)
7. Cement (weight: 5.37 per cent)
8. Electricity (weight: 19.85 per cent)

These industries are pivotal to India's industrial growth and economic performance. They collectively account for approximately **40.27% of the weight in the Index of Industrial Production** (IIP), a key indicator of industrial activity.

- Hence, out of the five sectors listed:
- **Coal** and **Fertilizers** are part of the eight core sectors.

Automobile, **Textile**, and **Pharmaceuticals** are **not included in the core sectors.**

27. Solution: (d)

Exp) Option d is the correct answer.

The **Serious Fraud Investigation Office (SFIO)** is a multi-disciplinary organization under the **Ministry of Corporate Affairs, which investigates and prosecutes complex corporate frauds in India.** It consists of experts in the fields of accountancy, forensic auditing, banking, law, information technology, investigation, company law, capital market and taxation. It was established in 2015 by the Government of India through a notification under the Companies Act, 2013.

The SFIO has the authority to investigate the affairs of a company if the Government is of the opinion that it is necessary to do so. The Government can assign a case to the SFIO based on the following criteria:

1) On receipt of a report of the Registrar or inspector under section 208 of the Companies Act, 2013.
2) On intimation of a special resolution passed by a company that its affairs are required to be investigated.
3) In the public interest.
4) On request from any department of the Central Government or a State Government

The SFIO does not investigate fraud or criminal charges against any type of individuals. It only deals with frauds related to a company under the Companies Act.

28. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: The National Pharmaceutical Pricing Authority was set up as an **attached office of the Department of Pharmaceuticals, Ministry of fertilisers and chemicals (not the ministry of Health and Family Welfare).**

Statement 2 is correct. It can fix/ revise the prices of controlled bulk drugs and formulations and to enforce prices and availability of the medicines in the country, under the Drugs (Prices Control) Order, 1995. It **can also monitor the prices of decontrolled drugs** in order to keep them at reasonable levels.

Statement 3 is correct: The National Pharmaceutical Pricing Authority Is also **entrusted with the task of recovering amounts overcharged** by manufacturers for the controlled drugs from the consumers.

29. Solution: (d)

Exp) Option d is the correct answer.

Gold is always considered as a very important monetary asset across the world. It is a safe investment in the long run.

Option 1 is correct. Gold prices react to inflation, Indians prefer to invest in gold. When **inflation rises the currency values go down**. Thus, people tend to hold money in the form of gold. When inflation lasts high for a long period of time, gold acts as a hedging tool (tools that limit risk exposures in financial assets) against inflationary conditions. As the value of **currency keeps fluctuating, gold value is considered stable** in the long run.

Option 2 is correct. Crude oil price that is one of the major contributors in the inflation of the economy can **dictate the gold prices in the market.** The **volatility of the crude oil prices** and any sharp moves by the economies regarding it would have implications for the inflation expectations as well as gold prices.

Option 3 is correct. The government holds reserves of gold. When RBI starts to **buy greater quantity than it sells, the price increases** as it will result in insufficient supply of gold and vice versa. Hence, the central bank's decision to buy or sell gold can affect the price due to the sheer volume of transactions.

Option 4 is correct. The **Demand and Supply** plays a vital role in influencing the prices of gold. Rural demand plays an important role in the demand for gold; as per the NITI Aayog report the **maximum purchase and selling of gold in India is done from rural market. Good monsoon results in good harvest** and the **amount earned is used to invest in gold** which is used in rainy season as in poor monsoon gold acts as a safe haven. When there is a rise in demand for gold, the price increases, and vice versa.

Option 5 is correct. The **US Dollar Index** is a leading benchmark for the international value of the US dollar and the world's most widely recognized, publicly traded currency index. The price of gold is generally **inversely related to the value of the United States dollar** because the metal is dollar-denominated. All else being equal, **a stronger U.S. dollar tends to keep the price of gold lower and more controlled,**

while a **weaker U.S. dollar is likely to drive the price of gold higher** through increasing demand because more gold can be purchased when the dollar is weaker.

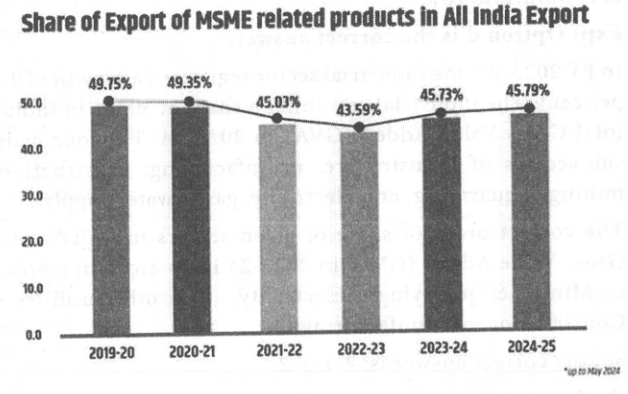
30. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: According to the Indian Budget 2025, the classification criteria for micro enterprises have been revised. Now, micro enterprises are defined as those with an **investment up to ₹2.5 crore and an annual turnover up to ₹10 crore. The revised criteria for MSMEs are as follows:**

Rs. in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

Statement 2 is correct: MSMEs play a vital role in India's export sector. They contribute a substantial portion of the country's total exports.MSMEs contributed 49.75% to India's exports in 2019-20, decreasing to 49.35% in 2020-21 and 45.03% in 2021-22. **The share further declined to 43.59% in 2022-23 but recovered to 45.73% in 2023-24.**



Statement 3 is correct: The Ministry of MSME, Government of India, notified the Public Procurement Policy for Micro and Small Enterprises (MSEs) in 2012. **This policy mandates that 25% of annual procurement by Central Ministries, Departments, and Central Public Sector Enterprises (CPSEs) must be sourced from MSEs.** Within this 25%, 4% is reserved for MSEs owned by Scheduled Castes/Scheduled Tribes (SC/ST), and 3% is reserved for MSEs owned by women entrepreneurs. Additionally, 358 items are exclusively reserved for procurement from MSEs.

31. Solution: (c)

Exp) Option c is the correct answer.

The service sector in India plays a crucial role in India's economy. It includes a wide range of industries such as trade, tourism, aviation, telecom, shipping, ports, communication and storage, financing, insurance, transportation, real estate, business services, software services, IT-BPM, etc.

Statement I is correct: The **contribution of the service sector in India to the country's GDP is over 50%, making it the largest contributor to India's GDP.** The service sector's substantial contribution to GDP underscores its efficiency and productivity in the Indian economy. This sector has been growing rapidly and is crucial in terms of investment and consumer spending.

Statement II is correct: The services sector continues to be a significant contributor to India's growth, accounting for about 55 per cent of the total size of the economy in FY24, states Economic Survey. The significant domestic demand, rapid urbanization, expansion of e-commerce platforms generated heightened requirements for logistics, and digital related services are important factors which have determined the domestic demand of services. **The Economic Survey further states that the Government has played a crucial role in fostering the growth and competitiveness of India's services by creating an enabling environment, promoting investment, enhancing skills and facilitating market access.**

Statement III is incorrect: The service sector does not have the largest share in employment in India. Although the service sector contributes significantly to India's GDP, most employment in India is still found in the agriculture sector, which employs a majority of the country's workforce. The service sector employs about 25% to 31% of the labor force (varying sources give varying data with the World Bank estimating 31%).

Hence correct answer is **Option c as Statement II is correct and is the reason behind Statement I and statement III is incorrect..**

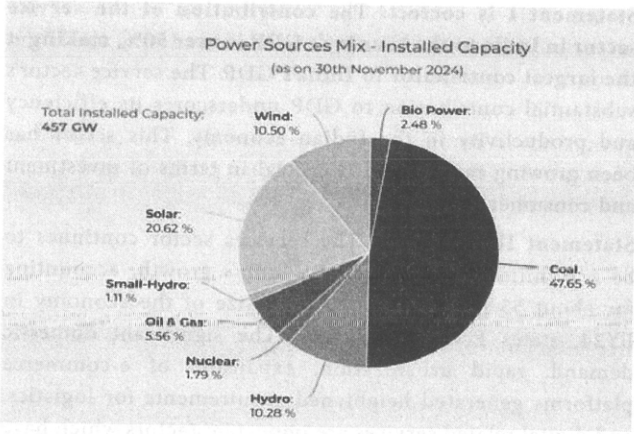
32. Solution: (b)

Exp) Option b is the correct answer.

1. **Business Ready (B-READY)** is the **World Bank's new flagship report** benchmarking the **business environment and investment climate** in the economies worldwide.
2. The report assesses the **regulatory framework and public services directed at firms, and the efficiency with which regulatory framework and public services** are combined in practice.
3. **It is replacing the World Bank Group's earlier Doing Business index.**
4. B-Ready is in a three-year rollout phase, spanning 2024 to 2026.The assessment currently includes 50 economies (excluding India) and plans to expand to 180 by 2026
5. Ten core topics that are covered in Index : Business Entry, Business Location, Utility Services, Labor, Financial Services, International Trade, Taxation, Dispute Resolution, Market Competition, and Business Insolvency.

33. Solution: (d)

Exp) Option d is the correct answer.



The correct descending order of the given energy resources based on their installed power capacity (from highest to lowest) in India is:

5 (Solar) - 2 (Wind) - 4 (Biopower) - 1 (Nuclear) - 3 (Small Hydro)

- **Solar energy** leads with **92.12 GW (20.62%).**
- **Wind energy** follows with **42 GW (10.50%).**
- **Biopower** energy contributes **11.33 GW (2.48%).**
- **Nuclear** energy contributes **8.18 GW (1.79%).**
- **Small Hydro** energy contributes **5.08 GW (1.11%).**

34. Solution: (a)

Exp) Option a is the correct answer.

Disinvestment is a process of selling government equities in public sector enterprises. Disinvestment is of two types: Token Disinvestment and Strategic Disinvestment.

Statement 1 is correct. Strategic Disinvestment implies the entire or substantial sale of Government shareholding of a CPSE along with transfer of management control. In case of Privatization, which is a sub-set of strategic disinvestment, the Government equity in CPSE and its management control is transferred to a private strategic buyer(s) and in other cases of strategic disinvestment, the Govt. equity is transferred to another CPSE along with control.

'Token' disinvestment means to sell the shares of the PSUs at a maximum of upto the 49 per cent. Thus, it maintains government ownership of the companies. It is done to bring some extra funds to the government.

Statement 2 is correct. The government uses various methods for disinvestment. The most significant modes of disinvestment have been exchange-traded funds (ETFs), offer-for-sale (OFS), strategic disinvestment, buybacks, and initial public offer (IPO). **Offer-for-sale (OFS) involves the sale of government shareholding in listed CPSEs in the stock market.**

Statement 3 is incorrect. NITI Aayog has been mandated to identify CPSEs for strategic disinvestment and advice on the mode of sale, percentage of shares to be sold of the CPSE and method for valuation of the CPSE. **The Department of Investment and Public Asset Management (DIPAM) then decides** on the recommendations of the NITI Aayog for disinvestment.

The Department of Investment and Public Asset Management (DIPAM), which falls under the Ministry of Finance, has been made the nodal department for the disinvestment of equity in Central Public Sector Undertakings.

Important Tips

New Disinvestment Policy:

- According to the new policy, the central government has divided most sectors into strategic and non-strategic.
- In strategic sectors, the government will maintain a bare minimum presence. The remaining entities will be considered for privatisation, merger, subsidiarisation or closure. Sectors categorised as strategic include: (i) atomic energy, space and defence, (ii) transport and telecommunication; (iii) power, petroleum, coal and other minerals, and (iv) banking, insurance, and financial services.
- CPSEs in non-strategic sectors will be either privatised or closed.
- Certain sectors such as development financing/ refinancing institutions, major port trusts, and CPSEs providing support to vulnerable groups have been kept out of the framework.

35. Solution: (d)

Exp) Option d is the correct answer.

In FY 2023-24, the industrial sector registered a growth of 9.5 per cent. The industrial sector has a share of 30.9% in India's total Gross Value Added (GVA) in 2023-24. The four main sub-sectors of industry are: manufacturing; construction; mining & quarrying; and electricity, gas & water supply.

The correct order of share of given sectors in India's total Gross Value Added (GVA) in 2023-24 in an ascending order is: Mining & quarrying < Electricity, gas & other utilities < Construction < Manufacturing.

So, the correct answer is: 4-1-3-2

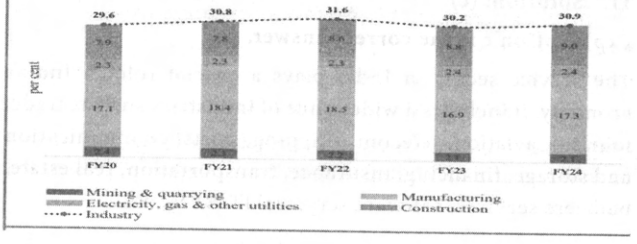
Option 4: Mining & quarrying had a share of 2.1 % in India's total GVA in 2023-24.

Option 1: Electricity, gas & other utilities had a share of 2.4 % in India's total GVA in 2023-24.

Option 3: Construction had a share of 9 % in India's total GVA in 2023-24.

Option 2: Manufacturing had a share of 17.3 % in India's total GVA in 2023-24.

Chart X.1: Share of industry and its Components in total GVA (in constant prices)



36. Solution: (b)

Exp) Option b is the correct answer

Pair 1 is correct: National waterway 1 is located on the **Ganga - Bhagirathi-Hooghly River** system. **NW 1 connects Haldia in West Bengal with Allahabad in Uttar Pradesh.** It stretches across a total distance of 1620 km.

Pair 2 is correct: National waterway 2 lies on the river Brahmaputra having a length of 891 Km. NW 2 connects **Dhubri and Sadiya town**, both located in Assam.

Pair 3 is incorrect: National Waterway 3 also known as the West Coast Canal is a 205 km stretch of **inland navigational route** located in **Kerala**, India. **It connects Kollam and Kottapuram,** both situated in Kerala.

Pair 4 is incorrect: National waterway 4 is declared on the **Krishna-Godavari River.** It **connects Puducherry with Kakinada in Andhra Pradesh.** It connects the Indian states of Telangana, Andhra Pradesh, Tamil Nadu, and the union territory of Puducherry.

37. Solution: (c)

Exp) Option c is the correct answer.

A Patent is a statutory right for an invention granted for a limited period of time to the patentee by the Government, in exchange of full disclosure of his invention for excluding others, from making, using, selling, importing the patented product or process for producing that product for those purposes without his consent. The patent system in India is governed by the Patents Act, 1970 as amended by the Patents (Amendment) Act, 2005 and the Patents Rules, 2003. The Patent Rules are regularly amended in consonance with the changing environment, most recent being in 2024.

Statement 1 is correct: Patent protection is a **territorial right and therefore it is effective only within the territory of India. Patents should be obtained in each country where the applicant requires protection of his invention.** There is no concept of global patent. However, filing an application in India enables the applicant to file a corresponding application for same invention in convention countries or under Patent Cooperation Treaty (PCT), within or before expiry of twelve months from the filing date in India.

Statement 2 is correct: Inventions related to atomic energy are not patentable in India under Section 4 of the Indian Patent Act of 1970. This section defines "inventions relating to atomic energy" as those falling within sub-section (1) of Section 20 of the Atomic Energy Act of 1962. **As per section 20 of the Atomic energy act 1962, no patents shall be granted for inventions which in the opinion of the Central Government are useful for or relate to the production, control, use or disposal of atomic energy or the prospecting, mining, extraction, production, physical and chemical treatment, fabrication, enrichment, canning or use of any prescribed substance or radioactive substance or the ensuring of safety in atomic energy operations.**

Statement 3 is incorrect: An application for a patent can be filed at the earliest possible date. An application filed with provisional specification, disclosing the essence of the nature of the invention helps to register the priority of the invention. **However, there is no rules mandating the filing of application within one year of invention.**

Statement 4 is correct: The term of every patent granted under Indian system is 20 years from the date of filing of application. However, for application filed under national phase under Patent Cooperation Treaty (PCT), the term of patent will be 20 years from the international filing date accorded under PCT.

38. Solution: (b)

Exp) Option b is the correct answer.

Infrastructure Investment Trusts (InvITs) are exchange-traded investments that offer investors partial ownership in infrastructure projects. These trusts are governed by SEBI regulations. InvITs are managed by professionals, relieving investors of project management responsibilities. They provide income through dividends, interest, and capital gains.

Statement 1 is correct: Infrastructure investment trusts are institutions similar to mutual funds, which pool investment from various categories of investors. InvITs are similar to mutual funds or REITs, but they invest in infrastructure assets like toll roads, power transmission lines, and pipelines.

Statement 2 is incorrect: As per SEBI regulation, **an InvIT must invest at least 80% of its total assets in completed infrastructure projects capable of generating income.** The remainder of assets up to a limit of 20% held by the InvIT can be invested in under-construction infrastructure projects and various SEBI-approved Equity, Debt, and Money Market instruments.

Statement 3 is correct: As the units of InvITs are listed on stock exchanges, there is reasonable liquidity (an exit option) for both the existing investors and the new investors. InvITs are exchange-traded investment options, which means that they are listed on NSE and BSE for you to buy and sell units during the trading window.

39. Solution: (b)

Exp) Option b is the correct answer.

Steel production is a critical industry that has a significant impact on the global economy. The steel sector plays a pivotal role in crucial sectors such as construction, infrastructure, automobile, engineering and defense. Over the years, the steel sector has witnessed tremendous growth and India has emerged as a global force in steel production and the 2nd largest producer of steel in the world.

Statement 1 is correct: China is the largest producer of steel in the world, accounting for almost half of the world's total output. **India currently ranks as the world's 2nd largest producer of Crude Steel,** surpassing Japan in 2018.

Statement 2 is incorrect: Majority of the crude steel production is contributed by Private sector in India. With 82% share, the Private Sector (8.786 mt, up by 1.6%) led crude steel production compared to the 18% contribution of the PSUs (up by 11.4%).

Statement 3 is correct: Launched in 2020, Mission Purvodaya aims to expedite the development of eastern India by establishing an integrated steel hub. Its focus extends to the eastern states of Odisha, Jharkhand, Chhattisgarh, West Bengal, and the northern part of Andhra Pradesh. These regions collectively possess approximately 80% of the country's iron ore, nearly 100% of coking coal, and substantial reserves of chromite, bauxite, and dolomite.

40. Solution: (b)

Exp) Option b is the correct answer.

The Indian Patent Office has rejected U.S. pharmaceutical giant Johnson & Johnson's (J&J) attempt to extend its monopoly on the manufacturing of the anti-tuberculosis drug Bedaquiline in India beyond July 2023.

Evergreening of patents refers to the practice of **extending the exclusivity period of a patent by making small modifications or improvements to the original invention.** The goal of evergreening is to extend the period during which the original inventor can profit exclusively from their invention. This is typically done by filing for new patents that cover variations or modifications of the original invention, even if those modifications are relatively minor

The patent office invoked **Section 3(d)** of the Indian patent law, which does **not allow the evergreening of patents.**

41. Solution: (b)

Exp) Option b is the correct answer.

The Hybrid Annuity Model is a public-private partnership framework where the government and private players collaborate to develop infrastructure. Hybrid Annuity Model (HAM) is a combination of two existing infrastructure development models: Engineering, Procurement, and Construction (EPC) Model and Build-Operate-Transfer (BOT) - Annuity Model. The government contributes a certain percentage of the project cost, reducing the financial burden on the private player and mitigating some of the investment risks.

Statement 1 is incorrect: The Financial risk is not only borne by the government authority, but shared between private player and government authority. Advantage of HAM is that it gives enough liquidity to the developer and the financial risk is shared by the government. The private partner continues to bear the construction and maintenance risks as in the case of BOT (toll) model and also he is required to partly bear the financing risk.

Statement 2 is correct: Unlike the BOT Toll model, where the private player collects toll revenue, under HAM, the toll collection rights remain with the government.

The private player is insulated from the revenue risk associated with toll collection as they receive fixed annuity payments from the government, which cover the debt service and provide a return on investment.

42. Solution: (d)

Exp) Option d is the correct answer.

Disinvestment refers to the process of selling or liquidating the government's stake in public sector enterprises to private sector entities. This is part of the government's broader strategy to reduce its involvement in businesses and increase private sector participation.

Statement 1 is correct: The proceeds from the disinvestment of Central Public Sector Enterprises (CPSEs) are credit into National Investment Fund (NIF) constituted in November, 2005 and are used for the approved purpose, as decided from time to time.

Presently, the disinvestment proceeds are credited to the existing NIF which is a "Public Account" under the Government Accounts and the funds would remain there until withdrawn /invested for the approved purposes. The proceeds from disinvestment are being used to finance developmental/infrastructure/social schemes/projects.

Statement 2 is correct: While the NITI Aayog plays a crucial role in identifying the CPSEs for disinvestment and making recommendations, the final approval and decision on disinvestment are made by the Cabinet Committee on Economic Affairs (CCEA), ensuring a comprehensive governmental review and endorsement.

Statement 3 is correct: The role of the Department of Investment and Public Asset Management (DIPAM) is critical. DIPAM is pivotal in the disinvestment process, responsible for the management of the government's investments in CPSEs, including the execution of disinvestment policies and the facilitation of the actual disinvestment process.

Important Tips

The primary goals of disinvestment are to raise capital for government initiatives, reduce the fiscal burden on the government, improve public finances, and enhance the efficiency and competitiveness of the economy.

There are two types of disinvestments –

- Strategic disinvestment – This involves the entire or substantial sale of government shareholding of a CPSE, along with the transfer of management control.
- Minority stake sale – This involves the sale of a minority stake in certain CPSEs without transferring management control. This can be done through various SEBI-approved methods, such as Initial Public Offer (IPO), Offer for Sale (OFS) and Buyback of shares.

43. Solution: (a)

Exp) Option a is the correct answer.

Make in India is a government initiative aimed at transforming India into a global manufacturing hub. It seeks to attract foreign investment, boost domestic manufacturing, and promote innovation across various sectors. The initiative aims to create job opportunities, enhance economic growth, and position India as a preferred destination for manufacturing.

Statement 1 is correct: The initiative was launched aims at facilitating investment, fostering innovation, **building best**

in class manufacturing infrastructure, making it easy to do business and enhancing skill development. The initiative is further **aimed at creating a conducive environment for investment, modern and efficient infrastructure, opening new sectors for foreign investment** and forging a partnership between government and industry through positive mindset.

Statement 2 is incorrect: The Make in India initiative encompasses not only manufacturing but also service sectors, aiming to boost entrepreneurship across a wide array of industries, including services. **The Department for Promotion of Industry and Internal Trade is coordinating action plans for manufacturing sectors, while the Department of Commerce is coordinating service sectors.**

Statement 3 is incorrect: The **Ministry of Commerce and Industry is the nodal agency** responsible for implementation and promotion of the Make in India 2.0.

44. Solution: (c)

Exp) Option c is the correct answer.

Option a is incorrect. Authorized share capital is the number of stock units (shares) that a company can issue as stated in its memorandum of association or its articles of incorporation. Authorized share capital is often not fully used by management in order to leave room for future issuance of additional stock in case the company needs to raise capital quickly

Option b is incorrect. Subscribed capital represents a portion of the authorized capital that potential shareholders have agreed to purchase from the company's treasury.

Option c is correct. Paid-up capital is the portion of the subscribed capital for which the company has received payment from the subscribers. A company creates paid-up capital by selling its shares directly to investors in the primary market.

Option d is incorrect. Issued capital refers to the shares that have actually been issued by the company to the shareholders. These shareholders can include the general public, institutional investors, and insiders who receive stock as part of their compensation packages. Issued shares are also referred to as outstanding shares.

45. Solution: (c)

Exp) Option c is the correct answer.

Special Economic Zones (SEZ) are a specially delineated duty-free enclave treated as a deemed foreign territory within a country for the purpose of trade operations, duties and tariffs with special rules for facilitating foreign direct investment leading to exports.

Statement 1 is correct. SEZs are allowed duty free import/ domestic procurement of goods for development, operation and maintenance of SEZ units. SEZs have exemption from Central Sales Tax, exemption from Service Tax and exemption from State sales tax. These have now subsumed into GST and supplies to SEZs are zero rated under IGST Act, 2017.

Statement 2 is correct. SEZ allows duty free import of goods and services for units and developers for their operations leading to a substantial saving in costs.

Important Tips

Government enacted SEZ Act 2005 which came into force from Feb 2006.The main objectives of the SEZ Act are:

1. generation of additional economic activity
2. promotion of exports of goods and services;
3. promotion of investment from domestic and foreign sources;
4. creation of employment opportunities;
5. development of infrastructure facilities;

46. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct: The latest data published by Journalistic Org. in 2023 confirms **India's position as the third-ranked nation globally in terms of unicorn companies only behind China (2nd) and USA (1st).** As of 03rd October 2023, India is home to 111 unicorns with a total valuation of $349.67 Bn. However, the combined valuation of Indian unicorns reaches a substantial $195.75 billion, representing a noteworthy 5% contribution to the total global valuation of unicorn companies.

Statement 2 is correct: The term

1) **Privately Held:** A company that is not publicly traded on a stock exchange. Its ownership is restricted to a limited group of investors, such as venture capitalists, angel investors, or the founders themselves.
2) **Unicorn Valuation:** A valuation of over $1 billion. This signifies a significant achievement for a young company, indicating its potential for growth and impact.

Once a company undergoes an Initial Public Offering (IPO) and becomes publicly traded, it sheds the "unicorn" label. This is because public markets provide a broader valuation based on stock prices, which can differ from the private valuation assigned by investors.

Statement 3 is incorrect: The defining factor for a unicorn startup is a valuation of **at least $1 billion.** The term "unicorn" was coined in 2013 to represent the rarity of startups achieving such a high valuation. Since then, the number of unicorns has grown significantly, but the core valuation threshold remains at $1 billion.

There are terms for even higher valuation milestones:

1) **Decacorn:** A startup valued at over **$10 billion** (e.g., SpaceX)
2) **Hectocorn:** A startup exceeding a valuation of **$100 billion** (very rare)

47. Solution: (d)

Exp) Option d is the correct answer.

The **Index of Industrial Production (IIP)** is a measure used in India to track the growth of different sectors in the economy, including mineral mining, electricity, and manufacturing. The all-India IIP serves as a composite indicator, reflecting the short-term changes in the volume of production across various industrial products during a specific period compared to a chosen base period.

Statement 1 is correct: The National Statistical Office (NSO) erstwhile Central Statistical Organisation (CSO) is responsible for compiling and publishing the Index of Industrial Production (IIP). The IIP is calculated as a simple weighted arithmetic mean using Laspeyre's formula, representing a quantum index where production of items is expressed in physical terms.

Statement 2 is incorrect: The **base year** for the IIP was revised to **2011-12 from 2004-05**. The base year refers to a specific period against which the current or subsequent periods are compared to measure changes. It serves as a reference point or benchmark for calculating the index values.

Statement 3 is incorrect: The **manufacturing sector** typically has the highest weightage in the Index of Industrial Production (IIP), not the mining sector. IIP Base years and respective weightage:

Sector	Base year 2011-12		Base year 2004-05	
	Weights (%)	Item groups	Weights (%)	Item groups
Mining	14.373	1	14.157	1
Manufacturing	77.633	405	75.527	397
Electricity	7.994	1	10.316	1
Total	**100**	**407**	**100**	**399**

48. Solution: (d)

Exp) Option d is the correct answer.

The Udyam Portal was launched on **July 1, 2020,** replacing the earlier system of MSME registration known as **Udyog Aadhaar.** Udyam Portal is an **online platform introduced by the Government of India to simplify the registration process for Micro, Small, and Medium Enterprises (MSMEs)** in the country.

Statement 1 is correct: The **Udyam Registration portal is the only official government portal in India for the registration of Micro, Small, and Medium Enterprises (MSMEs).** It was launched to simplify the registration process and provide various benefits to MSMEs.

Statement 2 is correct: According to the rules of the Udyam Registration portal, **each enterprise is allowed only one Udyam Registration number.** An enterprise can only have one Udyam Registration Number (URN) assigned to it. This URN serves as a unique identifier for the enterprise throughout its existence. This rule prevents duplication and ensures that each enterprise is registered only once under the MSME category

Statement 3 is correct: Registration on the Udyam portal is completely free for all categories of MSMEs (micro, small, and medium). There are no charges associated with the registration process.

49. Solution: (c)

Exp) Option c is the correct answer.

The **Ujwal DISCOM Assurance Yojana (UDAY)** was introduced by the Government of India in **2015** to improve the operational and financial performance of State-owned **Power Distribution Companies (DISCOMs).** The scheme targets lowering interest burdens, reducing power costs, minimising power losses in the distribution sector, and enhancing DISCOMs' operational efficiency.

Statement 1 is incorrect: Ujwal DISCOM Assurance Yojana (UDAY) was launched specifically for **State-owned Power Distribution Companies (DISCOMs),** not private-owned ones.

Statement 2 is correct: States issue **non-SLR (Statutory Liquidity Ratio) bonds, including SDL (State Development Loan) bonds,** under the Ujwal DISCOM Assurance Yojana (UDAY), to acquire DISCOMs' debt and then **transfer the generated funds to DISCOMs** in the form of a combination of grants, loans, and equity.

Statement 3 is correct: The UDAY scheme allows states to issue bonds to take over DISCOMs' debt, and this borrowing is **not counted towards the calculation of the state's fiscal deficit.** The rationale behind this provision is to incentivise states to participate in the scheme and facilitate the financial restructuring of DISCOMs without negatively impacting the state's fiscal metrics.

50. Solution: (a)

Exp) Option a is the correct answer.

The **Mines and Minerals (Development and Regulation) Amendment Act, 2023,** amends the Mines and Minerals (Development and Regulation) Act, 1957, with the aim of strengthening the exploration and extraction of critical minerals essential for India's economic development and national security.

Statement-I is correct: Private sector companies can extract **minerals like niobium and lithium,** which are declassified as atomic minerals and are not subject to exclusive extraction by government agencies.

Statement-II is correct: The Mines and Minerals (Development and Regulation) Amendment Act 2023 **declassified six minerals (lithium, beryllium, niobium, titanium, tantalum and zirconium)** from the **list of atomic minerals,** allowing private sector companies to explore and extract these minerals. Under the **Mines and Minerals (Development and Regulation) Amendment Act 1957,** unlike other minerals, the exploration and extraction of atomic minerals are reserved exclusively for government entities.

Thus, **Statement-I states a fact** that private sector companies can extract minerals like niobium and lithium, which are not atomic minerals, and **Statement-II explains** that the Amendment Act delisted six minerals from the atomic minerals list, allowing private sector involvement.

51. Solution: (c)

Exp) Option c is the correct answer.

A **trademark** is a legally protected symbol, word, or design that distinguishes products or services of various companies.

It's registered under the **Trademarks Act, 1999, in India**. Trademarks are essential for brand identity, as they help consumers identify and differentiate products or services from various companies.

" Mark" includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colours or any combination thereof

Statement 1 is correct: it gives the registered proprietor of the trademark the exclusive right to the use of the trade mark in relation to the goods or services in respect of which the trademark is registered. to obtain relief in respect of infringement of trademark in the manner provided by this Act.

Statement 2 is correct: Registered proprietor can obtain relief in respect of infringement of trademark in the manner provided by this Act. The person who brought the case (plaintiff) can choose to receive money for the harm caused (damages) or a share of the profits made by the infringer. The court can also order that the fake trademarks or labels be handed over to be destroyed or removed.

Statement 3 is incorrect: A trademark registration in India is **valid for ten years** from the date of application.

Statement 4 is correct: A trademark registration in India can be **renewed indefinitely for successive periods of ten years each**, as long as the owner continues to pay the renewal fees and meets the necessary requirements for renewal. This allows the trademark owner to maintain exclusive rights to their mark and continue using it in commerce without expiration.

52. Solution: (b)

Exp) Option b is the correct answer.

Start-up flipping involves startups restructuring their corporate setup to move their holding company and intellectual property (IP) to foreign jurisdictions for better profitability, prestige and market access etc.

Startup flipping refer to a **strategy where startups, originally based in India, modify their corporate structure to relocate their holding company and intellectual property (IP) to foreign jurisdictions** such as the US or Singapore, even though most of their market, personnel, and founders are in India. This practice is undertaken to leverage advantages offered by foreign jurisdictions, including favourable regulatory environments, access to global markets, and potential tax benefits.

53. Solution: (d)

Exp) Option d is the correct answer.

The Production Linked Incentive (PLI) Scheme is a performance-linked incentive program from the Government of India that gives companies incentives on sales of products made in India. The goal of the PLI Scheme is to boost the manufacturing sector, reduce imports, and make Indian manufacturers more competitive globally. The PLI scheme was announced in 2021 with an outlay of Rs 1.97 lakh crore to encourage domestic manufacturing and enhance India's exports.

Option 1 is correct: Drones and Drone components are included under the PLI scheme. This sector has been identified to boost domestic manufacturing of drones, which are increasingly used in various sectors including agriculture, defence, and healthcare. The incentive aims to make India a drone hub by 2030.

Option 2 is correct: Pharmaceutical Drugs are also included under the PLI scheme, it focuses on promoting the domestic manufacturing of critical key starting materials (KSMs), drug intermediates, and active pharmaceutical ingredients (APIs) to reduce dependency on imports and strengthen the pharmaceutical supply chain.

Option 3 is correct: Medical Devices sector is targeted by the PLI scheme to encourage the production of medical devices within the country, thereby aiming to enhance India's self-reliance in healthcare technologies and reduce the import of expensive medical devices.

1) **Option 4 is correct:** White goods: AC and LED light components

White goods refer to heavy consumer durables or large home appliances, which were traditionally available only in white. They include appliances such as washing machines, air conditioners, stoves, refrigerators, etc. The white goods industry in India is highly concentrated. The prime objective of the PLI scheme is to make manufacturing in India globally competitive by removing sectoral disabilities, creating economies of scale, and ensuring efficiencies. It

Option 5 is correct: Textiles sector, specifically focusing on man-made fiber (MMF) and technical textiles, is covered under the PLI scheme to make the Indian textile industry globally competitive, attract large investments, and boost employment generation. The scheme covers products like trousers, bandages, shirts, pullovers, and safety airbags.

Important Tips

The Production Linked Incentive (PLI) scheme includes following sectors –

1) Electronics: Large-scale electronics manufacturing, allied equipment for mobile phones
2) Telecom: Telecom and networking products
3) Pharma: Pharmaceuticals, key starting materials (KSMs)/drug intermediates (DIs), active pharmaceutical ingredients (APIs)
4) White goods: AC and LED light components
5) Textiles: Textiles and apparel
6) Medical devices: Manufacturing of medical devices
7) Food processing: Food processing
8) Drones: Drones and drone components
9) Other: Auto components, aviation, chemicals, renewable energy, metals and mining

54. Solution: (d)

Exp) Option d is the correct answer.

Currency fluctuations significantly impact a country's economic dynamics, influencing trade competitiveness,

investment flows, and overall economic health. For countries experiencing Dutch Disease, the appreciation of the currency can dampen the competitiveness of non-resource sectors like manufacturing and services.

Option a is incorrect: Stagflation is another economic phenomenon, characterized by slow economic growth, high unemployment, and high inflation. It presents a challenging scenario for economic policy since measures to curb inflation may worsen unemployment, and efforts to reduce unemployment may increase inflation. Unlike Dutch Disease, stagflation does not specifically relate to the impact of natural resource wealth.

Option b is incorrect: Hyperinflation refers to an extremely high and typically accelerating inflation rate that severely erodes the real value of the local currency. It can lead to a loss of confidence in the currency and significant disruptions in the economy. While hyperinflation is a critical economic issue, it doesn't specifically deal with the economic restructuring effects associated with Dutch Disease.

Option c is incorrect: The crowding-out effect is a concept in economics suggesting that increased government spending, especially financed by borrowing, may increase interest rates, which in turn reduces investment by the private sector. While it's a significant phenomenon, especially in discussions on fiscal policy and its impact on the economy, it's unrelated to the specific dynamics of Dutch Disease.

Option d is correct: Dutch Disease describes a paradoxical economic situation that arises when a country's sudden increase in wealth from natural resources (like oil) leads to a decline in other sectors of the economy, particularly manufacturing. The influx of foreign currency strengthens the country's currency, making exports more expensive and imports cheaper. This makes the manufacturing sector less competitive both domestically and internationally, potentially leading to its decline.

55. Solution: (a)

Exp) Option a is the correct answer.

The Trade Receivables e-Discounting System (TReDS) is a significant innovation in financial technology in India, aimed at enhancing liquidity in the MSME sector by facilitating the financing of their trade receivables.

Statement 1 is correct: Only MSMEs can participate as sellers in TReDS. Corporates, Government Departments, PSUs, and any other entity **can participate as buyers in TReDS**

The system aims to provide MSMEs with timely finance by discounting their trade receivables through multiple financiers, improving their cash flow and reducing their dependency on traditional banking methods.

Statement 2 is correct: TReDS is an electronic platform that enables the discounting of MSMEs' trade receivables from corporates, government departments, and PSUs. Importantly, transactions under TReDS are conducted without recourse to MSMEs, meaning if the buyer defaults, the financier cannot demand repayment from the MSME seller.

Statement 3 is incorrect: Authorization is required to be obtained from RBI under the Payment and Settlement Systems (PSS) Act, 2007 to set up and operate a TReDS platforms.

Important Tips

1) By providing MSMEs with a mechanism to get their invoices discounted through a transparent bidding process involving multiple financiers, TReDS helps in reducing the payment receivables cycle, thereby enabling MSMEs to manage their working capital more effectively.
2) A Factoring Unit (FU) is a standard nomenclature used in TReDS for invoice(s) or bill(s) of exchange. Each FU represents a confirmed obligation of the corporates or other buyers, including Government Departments and PSUs.
3) TReDS, FU can be created either by the MSME seller or the buyer. If MSME seller creates it, the process is called factoring; if the same is created by corporates or other buyers, it is called reverse factoring.

56. Solution: (b)

Exp) Option b is the correct answer.

The Self Reliant India (SRI) Fund is a Rs. 10,000 crore initiative launched by the Indian Government. It aims to provide equity funding to viable and high-potential MSMEs (Micro, Small, and Medium Enterprises). The fund operates through a mother-fund and daughter-fund structure, leveraging both government and private sector contributions. Its objectives include fostering growth, innovation, and competitiveness in the MSME sector, contributing to India's self-reliance.

Statement 1 is correct:. The Self-Reliant India (SRI) Fund aims to address the shortage of growth capital faced by MSMEs. It does this by providing equity financing, which allows MSMEs to raise funds without incurring debt.

Statement 2 is incorrect: The Fund is an investment strategy of holding a portfolio of other investment funds, rather than investing directly. In the context of AIFs, a Fund of Fund is an AIF which invests in another AIF. Accordingly, SRI Fund will be a combination of Mother/Daughter Funds which will leverage private equity/ other funds and thus will multiply the impact of the initial budgetary infusion.

- Govt. of India will be the sole anchor investor and provide an initial budgetary support of Rs. 10,000 crore to the Mother Fund in phased manner.
- The empanelled Daughter Funds will have to raise funds from outside sources, including but not limited to, Banks/FIs, HNIs, VCs/PEs/Institutional Investors/ PSUs/ Pension Funds/ Foreign Developmental Institutions, etc.

Hence it is not funded by Small Industries Development Bank of India (SIDBI).

Statement 3 is correct: The fund employs a 'Funds-of-Fund' investment strategy. The mother-fund (SRI Fund) invests in daughter funds, which are SEBI registered AIFs. These

daughter funds then invest at least five times the amount of capital contribution received from the SRI Fund in MSMEs.

57. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: Industrial Policy Resolution, 1948 was the first industrial policy statement of India. It decided the model of the economic system (i.e., the mixed economy).

The major highlights of the policy are given below:

1) India will be a mixed economy.
2) Some of the important industries were put under the Central List such as coal, power, railways, civil aviation, arms and ammunition, defense, etc.
3) Some other industries (usually of medium category) were put under a State List such as paper, medicines, textiles, cycles, rickshaws, two-wheelers, etc.
4) Rest of the industries (not covered by either the central or the state lists) were left open.
5) for private sector investment—with many of them having the provision of compulsory licensing.
6) There was a 10-year period for review of the policy.

Statement 2 is incorrect: Decentralized industrialization was given attention under Industrial Policy Statement, 1977 with the objective of linking the masses to the process of industrialization. The District Industries Centers (DICs) were set to promote the expansion of small and cottage industries at a mass scale under this policy.

Statement 3 is incorrect: Under the Industrial Policy Statement, 1973, limited permission for foreign investment was given. Also, the **multinational corporations (MNCs) were allowed to set up subsidiaries in the country.**

58. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct and 2 is incorrect. Hallmarking is the accurate determination and official recording of the proportionate content of precious metal in precious metal articles. Hallmarks are thus official marks used in many countries as a guarantee of purity or fineness of precious metal articles. The principle objectives of the Hallmarking Scheme are to protect the public against adulteration and to obligate manufacturers to maintain legal standards of fineness. In India, at present two precious metals namely **gold and silver** have been brought under the purview of Hallmarking.

Statement 3 is incorrect. A jeweller selling you BIS hallmarked gold jewellery will charge you Rs 35 per piece of gold jewellery for the hallmarking. The hallmarking charges will be added to the cost and mentioned on the bill. The price of hallmarking a jewellery is a flat charge irrespective of the weight of the gold jewellery

59. Solution: (a)

Exp) Option a is the correct answer.

The principles for the regulation of the prices of drugs are based on the National Pharmaceuticals Pricing Policy, 2012, administered by the Department of Pharmaceuticals.

Statement 1 is correct: Ceiling price means a price fixed by the Government for Scheduled formulations in accordance with the provisions of DPCO 2013. Until 31 December 2022, ceiling prices for 890 formulations of 358 drugs/medicines across various therapeutic categories under National List of Essential Medicines (NLEM), 2015 have been **fixed by National Pharmaceuticals Pricing Authority (NPPA).**

Statement 2 is incorrect: Prior to 2013, the DPCO followed a cost-based pricing mechanism that was based on the costs involved in manufacturing a medicine along with reasonable profit margins. While, **at present the DPCO follows a market-based pricing mechanism.** The ceiling price is worked out on the basis of the simple average price of all brands having at least 1 percent market share of the total market turnover of that drug plus a notional 16 percent retailer's margin.

Statement 3 is incorrect: All the drugs marketed in the country are **not under price control. Generally, the scheduled medicines under the** National List of Essential Medicines (NLEM) are under the price control. The manufacturer of a non-scheduled drugs (drugs not under direct price control) is not required to take price approvals from NPPA for such drugs. However, the prices of other drugs can be regulated, if warranted in public interest.

60. Solution: (c)

Exp) Option c is the correct answer.

Disinvestment means sale or liquidation of assets by the government, usually Central and state public sector enterprises, projects, or other fixed assets. The government undertakes disinvestment to reduce the fiscal burden on the exchequer, or to raise money for meeting specific needs, such as to bridge the revenue shortfall from other regular sources.

Strategic disinvestment, as per the Department of Investment and Public Asset Management, is rooted in the Strategic Disinvestment Policy of 2015–20. The government employs strategic disinvestment primarily to obtain funds. These funds are channeled into financing various social sector and developmental programs.

Statement I is correct: Strategic disinvestment refers to the process wherein the government transfers the management control of a public sector entity to either another public entity or a private entity. This typically involves selling a significant portion of the government's stake (50% or more) in the entity, allowing the buyer to assume control over its operations and decision-making processes.

Statement II is incorrect: Strategic disinvestment within **Central Public Sector Enterprises (CPSE) involves selling a substantial portion or a higher percentage as determined by the competent authority. It can be up to 50 percent or more.**

Those who own more than 51% of the share in a company is considered the owner of the company.

61. Solution: (b)

Exp) Option b is the correct answer.

Real Estate (Regulation and Development) Act (RERA) is an act passed by the Indian Parliament in 2016 for the regulation and promotion of the real estate sector in the country.

Statement 1 is incorrect: As per Real Estate (Regulation and Development) Act, 2016, it is **mandatory for most of the real estate projects to register with the Real Estate Regulatory Authority** (RERA) before advertising, selling, or marketing any property. There are some exemptions to the registration. For eg. Chapter II (3) (2) of the Act mentions, no registration of the real estate project shall be required—(a) where the area of land proposed to be developed **does not exceed five hundred square meters or the number of apartments proposed to be developed does not exceed eight** inclusive of all phases.

Statement 2 is incorrect: While RERA decisions are legally binding, they can be appealed. If any of RERA's decisions regarding a complaint is not satisfactory, the **aggrieved party can submit an appeal before the Appellate Tribunal.**

Statement 3 is correct: RERA mandates that **developers must maintain accounts for each project.** These accounts ensure that funds collected from buyers are utilized only for the specific project and not diverted elsewhere.

62. Solution: (b)

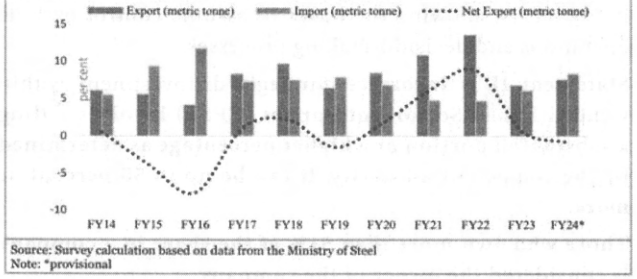
Exp) Option b is the correct answer.

According to the Economic Survey 2023-24, Iron and steel contribute approximately 47 per cent of all inputs in the building & construction sector. The steel sector achieved its highest levels of production and consumption during FY24.

Statement 1 is incorrect: India was a net exporter (not net importer) of finished steel from FY 2020 to FY 2023. In FY24, India started off as a net exporter in Q1. **However, in Q2 and Q3, it became a net importer.** This was **largely driven by price differentials between international and domestic prices of finished steel.** Low prices in the international market led to reduced profit margins for exports and made imports more affordable, affecting the trade balance in steel. India was the net importer of finished steel during 2023-24 with exports of 7.49 million tonnes and imports of 8.32 million tonnes.

During the current financial year i.e. April-October 2024-25 (prov.), import and export of finished steel were 5.77 million tonnes and 2.75 million tonnes, respectively.

Chart X.9: India was a net exporter of finished steel in 4 out of the last 5 years



Source: Survey calculation based on data from the Ministry of Steel
Note: *provisional

Statement 2 is correct: According to the data of the Ministry of Steel, **India's steel sector accounts for 12 percent of India's greenhouse gas emissions** with an emission intensity of 2.5 tonnes of CO2 per tonne of crude steel compared to the global average of 1.9 tonnes of CO2 per tonne of crude steel.

63. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: The First Mile Connectivity (FMC) projects were established by Coal India Limited (CIL) **to facilitate the seamless movement of coal from the mine to the despatch point** along with computerized loading into railway rakes with minimum manual intervention, obliterate traffic congestion and road accidents.

First Mile Connectivity **eliminates road transportation of coal in mining areas by using conveyors or roads** to the nearest railway siding.

By transporting coal through a conveyor belt or road to the nearest railway siding, FMC reduces the number of trucks on the road and the associated environmental impacts such as air pollution, traffic congestion, and road damage, leading to a cleaner and healthier environment.

64. Solution: (a)

Exp) Option a is the correct answer.

India's pharmaceutical industry, often referred to as the "**Pharmacy of the World**," is one of the largest and most diverse in the global market. It boasts a wide-ranging product base that includes generic drugs, active pharmaceutical ingredients (APIs), bulk drugs, over-the-counter medications, vaccines, biologics, and biosimilars.

Statement 1 is correct: India's pharmaceutical market currently valued at USD 50 Billion is the world's third largest by volume following the **United States and China.** The industry has strong growth potential, with projections to reach USD 120-130 billion over the next decade.

Statement 2 is incorrect: **India** is the **largest provider of generic medicines globally**, accounting for a **20% share of the global generic drug supply by volume (not more than 50%).** The Indian pharmaceutical industry manufactures around 60,000 different generic brands across 60 therapeutic categories. Furthermore, eight of the top 20 global generic companies are based in India.

65. Solution: (c)

Exp) Option c is the correct answer.

The **Micro, Small, and Medium Enterprises** (MSME) **sector** is a crucial component of India's economy, contributing significantly to **employment generation, domestic production,** and **exports.** MSMEs are vital in promoting entrepreneurship, innovation, and inclusive growth, particularly in rural and semi-urban areas.

Statement 1 is correct: According to data from the Ministry of Statistics & Programme Implementation, the **share of MSMEs in India's manufacturing output** during **FY24 was** well above 30%.

Statement 2 is correct: According to the **Economic survey 2024, the share of export of MSME-specified products in all-India exports in 2023-24 was 45.7 per cent.**

Year	% share of Export of MSME related products in All India Export
2019-20	49.77%
2020-21	49.35%
2021-22	45.03%
2022-23	43.59%
2023-24*	45.56%

(as per PIB)

66. Solution: (d)

Exp) Option d is the correct answer.

Central Public Sector Enterprise (CPSE) is a company where not less than 51% of the Share Capital is held by the Central Government. Similarly, a State Public Sector Enterprise (SPSE) is one where the State Government would be holding not less than 51% of the share capital of such entity

Statement 1 is incorrect. As of March 31, 2023, 254 CPSEs were operational in India.

Around 66 per cent of the CPSEs operate in the service sector; the rest in manufacturing, processing & generation and mining & exploration.

Statement 2 is incorrect. Of all the CPSEs in India, **only 70 are listed on any of the stock exchanges in India.** 67 of these are listed at BSE.

67. Solution: (a)

Exp) Option a is the correct answer.

The concept of **Corporate Social Responsibility (CSR) in India** is governed under **Section 135 of the Companies Act, 2013.** This act mandates CSR activities for certain companies and outlines the framework for responsible business practices.

Companies meeting any one of the following criteria are obligated to spend at least **2% of their average net profits** from the preceding three financial years on CSR initiatives:

Option 1 is incorrect: Net Worth; If a **company's net worth is Rs. 500 crore (not 200 crore) or more in the immediately preceding financial year,** it is **mandatory** for them **to allocate funds for CSR activities. The net worth** of a company refers to the total value of its assets minus its liabilities. It reflects the financial strength and stability of the company.

Option 2 is incorrect: Turnover; Companies with an **annual turnover of Rs. 1000 crore (not 500 crore) or more in the immediately preceding financial year, are also subject to CSR provisions. Annual turnover** refers to the total revenue generated by a company from its business operations during a financial year.

Option 3 is correct: Net Profit; If a company's net profit is **Rs. 5 crore or more in the immediately preceding financial year, it falls under the CSR ambit.** Net profit represents the surplus income after deducting all expenses, taxes, and interest payments.

Option 4 is incorrect: Net exports is not a mandatory criterion for any company to fall under the CSR ambit.

Important Tips

India holds a unique position as the first country in the world to make CSR mandatory.

The activities for which CSR can be undertaken includes; Eradicating hunger poverty and malnutrition, promotion of education and gender equality, environment sustainability, healthcare, contributing to PM National relief fund or other fund setup by government for socio-economic welfare, etc.

68. Solution: (b)

Exp) Option b is the correct answer.

The Government has set up the Urban Infrastructure Development Fund (UIDF) through the use of priority sector lending shortfall for creating urban infrastructure in Tier 2 and Tier 3 cities. It aims to provide a stable and predictable source of financing for providing basic services like Sewerage and Solid Waste Management, Water Supply and Sanitation, construction and improvement of drains/ storm water drains, etc.

Statement 1 is incorrect. UIDF is to be used by Public Agencies **to create urban infrastructure in Tier 2 & Tier 3 cities.**

UIDF would **focus on mid-sized cities** with the potential to develop them into regional economic hubs, while keeping the metropolitan and mega cities outside its scope. To address the problem of skewed regional development, UIDF will focus on cities/ Urban Local Bodies (ULBs) in the population group of 50,000 to 9,99,999 as per latest Census data covering about 40% of the Urban Population. The cities included are:

Tier 2 cities – 459 towns with population between 1 lakh to 9,99,999 as per latest census data

Tier 3 cities – 580 towns with population between 50,000 to 99,999 as per latest census data (currently 2011)

Statement 2 is correct. The Fund is **managed by the National Housing Bank.** It has been operationalised with an initial corpus of Rs.10,000 crore.

UIDF aims to supplement the efforts of the State Governments / UTs for urban infrastructure development works implemented through Public/ State Agencies, Municipal Corporations and Urban Local Bodies.

69. Solution: (c)

Exp) Option c is the correct answer.

Real estate has accounted for over seven per cent of India's overall GVA in the past decade, highlighting their integral role in the economy. The Real Estate (Regulation & Development) Act, 2016 (RERA) has been enacted to bring about much-needed reform in India's real estate sector. The main objective of RERA is to encourage greater transparency, citizen-centricity, accountability, and financial discipline. Almost all States/ Union Territories (UTs) have notified rules under RERA except a few, which are in the process of notifying the rules.

Statement 1 is incorrect. RERA mandates an 'Agreement to Sale' at the time of registration and **requires a consent from two-thirds of allottees/homebuyers for any layout changes**. RERA also specifies provisions for refund, compensation, and penalties applicable to all stakeholders in cases of obligation contraventions.

Statement 2 is correct. RERA mandates that 70 per cent of funds collected from homebuyers for a project **must be maintained in a separate bank account** dedicated to project construction and land costs.

Statement 3 is correct. RERA **provides for the establishment of a fast-track dispute resolution mechanism for the settlement of disputes**. As of 01 July 2024, 32 States and UTs have set up the Real Estate Regulatory Authority, and more than 1 lakh complaints have already been disposed of.

Important Tips

The Act provides for establishment of the Real Estate Regulatory Authority for regulation and promotion of the real estate sector.

RERA has made it mandatory for developers and project promoters to make all necessary disclosures about projects, including permissions secured from authorities, date of launch, promised date of delivery, project specifications, and amenities.

70. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: The National Land Monetization Corporation **(NLMC) is a special purpose vehicle (SPV) established by the Government of India**. It **is fully (100%) owned by the Government of India,** which means that all its shares are held by the government itself.

Statement 2 is incorrect: The **NLMC's core function is not monetization of core assets, but rather its core function is to carry out monetization of non-core assets** of **Central Public Sector Enterprises (CPSEs) and other government agencies (not state public sector enterprises).** Non-core assets refer to properties or assets that are not essential to the core operations of CPSEs, and includes land, buildings and other immovable properties.

71. Solution: (c)

Exp) Option c is the correct answer.

The Union government categorises all Public Sector Undertakings (PSUs) into three categories, namely Maharatna, Navratna, and Miniratna. The boards of Maharatna CPSEs have been delegated the following powers:

Statement 1 is incorrect: To make equity investment to establish financial joint ventures and wholly owned subsidiaries and undertake mergers & acquisitions, in India or abroad, subject to a ceiling of 15% of the net worth of the concerned CPSE, limited to Rs.5,OOO crore in one project. The overall ceiling on such investments in all projects put together will not exceed 30% of the net worth of the concerned CPSE. While normally the investment would be done directly by the parent CPSE, in cases where it proposes to invest through a subsidiary into another joint venture, and also provide the additional capital for this purpose/ the above stipulations would be in the context of the parent company.

Statement 2 is incorrect: Can raise debt from the domestic capital markets and from the international market, the **latter being subject to the approval of RBI/Department of Economic Affairs, as may be required, and should be obtained through the administrative Ministry.**

Statement 3 is correct: **Can incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.**

72. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: The Indian Railway Network is the world's fourth (not 2nd largest) largest rail network with a total route length of 68,426 km approx.

The **United States** has the largest railway network, followed by **China** and **Russia.**

Statement 2 is incorrect: The **Amrit Bharat Station Scheme, launched in 2023,** by the Ministry of Railways. aims to **modernize and redevelop railway stations** across the country on a continuous basis with a long-term approach. The scheme currently intends to upgrade and modernize a total of 1275 stations across the Indian Railway system.

The scheme does not aim to modernize railway stations through **privatization**. Instead, it relies primarily on **budgetary funds** allocated by the government for the development of stations under this scheme. However, for a small number of stations, redevelopment is being explored through the **Public-Private Partnership (PPP)** model, which involves collaboration with private entities to leverage their expertise and investment.

73. Solution: (b)

Exp) Option b is the correct answer.

Row 1 is incorrect: ISI Mark (Issued by **Bureau of Indian Standards under the Ministry of Consumer Affairs, Food and Public Distribution):**

The ISI mark is one of the most recognizable certification marks in India. It signifies that a product conforms to the safety and quality standards established by the Bureau of Indian Standards (BIS). While the Ministry of Consumer Affairs oversees BIS, it's important to note that the ISI mark applies to a wide range of industrial products, not just consumer goods.

Issuing Body: Bureau of Indian Standards (BIS)

Ministry: Consumer Affairs, Food and Public Distribution

Products Covered:

Compulsory certification (93 products): cement, steel, electrical appliances, packaged water bottles, etc. **(Not exclusive to consumer goods)**

Voluntary certification: Biscuits, coffee powder, pressure cookers, ceiling fans, water heaters, etc.

Significance: Ensures product safety, quality, and adherence to specific Indian Standards (IS)

Row 2 is incorrect: Eco Mark under the Ministry of Environment, Forest and Climate Change):

The Eco Mark is a voluntary certification scheme that identifies environmentally friendly products and services. While BIS grants the Eco Mark, it falls under the purview of the Ministry of Environment, Forest and Climate Change.

Issuing Body: The Central Pollution Control Board administers the Ecomark Scheme in partnership with Bureau of Indian Standards (BIS), which is the national body for standards and certification.

Ministry: Environment, Forest and Climate Change

Products Covered: Various products like electronics, detergents, textiles, etc.

Significance: Identifies products with lower environmental impact, promoting sustainability.

Row 3 is correct: AGMARK (Issued by Directorate of Marketing and Inspection under the Ministry of Agriculture and Farmers Welfare):

The AGMARK mark is specifically for agricultural products. It guarantees the quality, purity, and safety of agricultural and processed food products. The Directorate of Marketing and Inspection (DMI) under the Ministry of Agriculture and Farmers Welfare is responsible for issuing AGMARK certification.

Issuing Body: Directorate of Marketing and Inspection (DMI), Department of Agriculture, cooperation and Farmers welfare.

Ministry: Agriculture and Farmers Welfare

Products Covered: Agricultural and semi processed food products like fruit, vegetables spices, pulses, honey, etc.

Significance: Ensures quality, purity, and safety of agricultural produce.

Row 4 is correct: FPO Mark (Granted by the **Ministry of Food Processing Industries):**

The FPO mark is a mandatory certification for all processed fruit products sold in India. This mark signifies that the product has been manufactured hygienically and meets the prescribed food safety and quality standards set by the Ministry of Food Processing Industries (MoFPI).

Issuing Ministry: Ministry of Food Processing Industries (MoFPI)

Products Covered: All processed fruit products

Significance: Ensures hygiene, safety, and quality of processed fruit products.

74. Solution: (c)

Exp) Option c is the correct answer.

Pair 1 is correct: Moradabad, a city in the state of Uttar Pradesh, and is renowned for brass work and has carved a niche for itself in the handicraft industry throughout the world. The modern, attractive, and artistic brass ware, jewellery and trophies made by skilled artisans are the main crafts. The attractive brass ware is exported to countries like USA, Britain, Canada, Germany and Middle East Asia. Recently other products like Iron Sheet Metalware, Aluminium Artworks and Glassware's have also been included as per need of the foreign Buyers. It has got **Geographical Indication tag for Moradabad Metal Craft Work (Word Mark) in 2013**. The city's brass industry has a long history and continues to thrive, making it a significant hub for brass production and trade.

Pair 2 is correct:Ludhiana, Punjab's Rs 20,000-crore textile hub, accounts for more than 90 per cent of India's apparel production for the domestic market.

Pair 3 is correct: Aligarh, a city in **Uttar Pradesh**, has gained prominence for its lock manufacturing industry. The city produces a wide variety of locks, ranging from simple padlocks to sophisticated security locks, and **Aligarh locks** (Aligarh Tala) got a **GI tag in 2023**. Aligarh locks are known for their durability, quality, and affordability. The industry has been active for decades, and Aligarh-made locks are widely used across India and even exported to other countries. The Aligarh lock industry has contributed significantly to the local economy and employment.

75. Solution: (b)

Exp) Option b is the correct answer.

The Index of Eight Core Industries (ICI) measures combined and individual performance of production of eight core industries viz. **Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products and Steel.** The Eight Core Industries comprise **40.27 percent** of the weight of items included in the **Index of Industrial Production (IIP).**

The Combined Index of Eight Core Industries **(ICI) is published by the Office of the Economic Adviser (OEA),** Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry.

76. Solution: (a)

Exp) Option a is the correct answer.

The International Civil Aviation Organization (ICAO) focuses on reducing carbon emissions in international aviation, adopting goals like 2% annual fuel efficiency improvement until 2050, carbon-neutral growth from 2020, and net zero by 2050. To achieve these, ICAO introduced the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA),

Statement 1 is correct: The CORSIA has three phases: a pilot phase (2021 – 2023); a first phase (2024 – 2026); and a second phase (2027 – 2035). The difference between the phases is that the participation of States in the CORSIA offsetting in the pilot phase and in the first phase is voluntary. And hence, the Government of India has decided not to participate in the voluntary phases of CORSIA. Offsetting requirements under CORSIA for Indian carriers will start from 2027, **using sustainable aviation fuel (SAF) or purchasing carbon credits through ICAO-approved programs.**

Statement 2 is incorrect: The implementation mandatory phase of CORSIA from 2027 to 2035 applies to all ICAO

Member States, with certain exemptions based on aviation-related and socio-economic criteria:

Aviation-Related Criteria includes(i) Low Share of RTKs: States with an individual share of international aviation activities in Revenue Tonne Kilometers (RTKs) below 0.5% of total RTKs in 2018.(ii) 90% RTK Contribution Exclusion: States not included in the list of countries accounting for 90% of total RTKs when ranked from highest to lowest.

For Socio-Economic Criteria, States categorized as the following are exempt, regardless of their international aviation RTK share: (i) Least Developed Countries (LDCs), (ii)Small Island Developing States (SIDS), (iii)Landlocked Developing Countries (LLDCs).

77. Solution: (d)

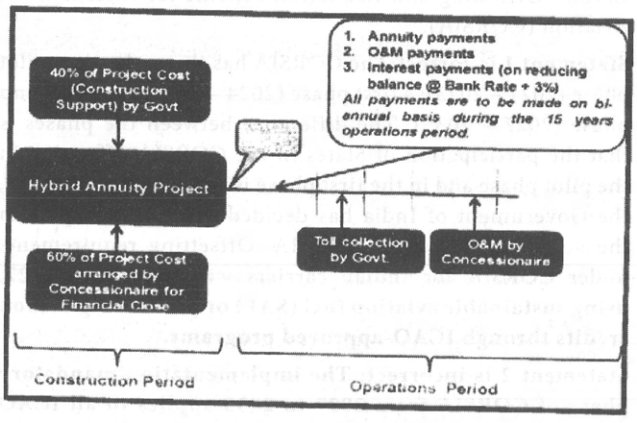
Exp) Option d is the correct answer

The Hybrid Annuity Model (HAM) is a financing model used for infrastructure projects in India, combining elements of the Engineering, Procurement, and Construction (EPC) and Build, Operate, Transfer (BOT) models. It involves private investment for the construction, maintenance, and operation of the infrastructure, where the government provides partial funding during the construction phase and pays an annuity for maintenance and operation after project completion.

Statement I is incorrect: Under the Hybrid Annuity Model (HAM), the government provides 40% of the project cost as construction support during the **construction phase. The remaining 60% beared by the concessionaire and is later paid by government as annuity payments over the operations period,** along with interest, to the concessionaire.

Statement 2 is correct: Under this model, **Government of India facilitates the acquisition of land and procuring of environmental and forest clearances required** for the construction of infrastructure projects by the private players under this model.

Statement 3 is correct: Unlike the BOT Toll model, where the private player collects toll revenue, under HAM, the toll collection rights remain with the government. The private player is insulated from the revenue risk associated with toll collection as they receive fixed annuity payments from the government, which cover the debt service and provide a return on investment.



78. Solution: (b)

Exp) Option b is the correct answer.

Export Credit Guarantee Corporation of India Limited (ECGC) was set up in 1957 with the objective of promoting exports from the country by providing credit risk insurance and related services for exports. Over the years it has designed different export credit risk insurance products to suit the requirements of Indian exporters. The Corporation has introduced various export credit insurance schemes to meet the requirements of commercial banks extending export credit

Statement 1 is incorrect: ECGC is essentially an export promotion organisation, seeking to improve the competitiveness of the Indian exports by providing them with credit insurance covers. **It is wholly owned by the Government of India (not by Reserve Bank of India).**

Statement 2 is correct: Government of India established National Export Insurance Account (NEIA Trust) in 2006 to promote project exports from India that are of strategic and national importance. **The Trust is administered by ECGC.**

79. Solution: (b)

Exp) Option b is the correct answer.

The **Global Partnership on Artificial Intelligence (GPAI) is a multi-stakeholder initiative** that aims to bridge the gap between theory and practice on AI by supporting cutting-edge research and applied activities on AI-related priorities. Its secretariat is hosted at the Organisation for Economic Co-operation and Development (OECD), Paris.

Statement 1 is incorrect: GPAI primarily focuses on collaboration, research, and policy recommendations on AI, rather than directly providing financial assistance. It does not offer funds to countries but promotes the development of AI in a responsible manner.

Statement 2 is correct:India is a founding member of GPAI, established in 2020. Other founding members include Canada, France, the US, the UK, and the European Union. GPAI aims to foster global cooperation in developing AI technologies for societal benefits.

80. Solution: (d)

Exp) Option d is the correct answer.

The **Atal Mission for Rejuvenation and Urban Transformation (AMRUT)** was launched in 2015 with the objective of improving basic urban infrastructure in cities. It focuses on providing sustainable water supply, sewage treatment, and enhancing green spaces while promoting eco-friendly modes of transportation.

Option 1 is correct: AMRUT aims to ensure universal access to water and sewer connections in urban areas. It focuses on providing safe drinking water and improving sanitation, directly contributing to better living conditions..

Option 2 is correct: By developing green spaces and parks, the mission enhances the livability of urban areas. This initiative contributes to better air quality, aesthetic value,

and provides residents with recreational spaces, fostering a healthier environment.

Option 3 is correct: The mission encourages sustainable transport options by improving public transport infrastructure and creating facilities for walking and cycling. These measures help reduce vehicular emissions, ease congestion, and promote eco-friendly mobility in cities.

Knowledge Base:

AMRUT 2.0 Scheme:

- It was launched in 2021 for the period of 05 years i.e. from the financial year 2021-22 to the financial year 2025-26.
- The total indicative outlay for AMRUT 2.0 is ₹2,99,000 crore including the Central outlay of ₹76,760 crore for five years.

81. Solution: (b)

Exp) Option b is the correct answer.

In India, a public sector company is one in which the Union Government, State Government, or any Territorial Government holds 51% or more of the share capital. The following industries are currently reserved for the public sector:

Option 1 is correct: Atomic energy sector is reserved for the public sector. The production, separation, and enrichment of special fissionable materials and operation of atomic energy plants are controlled by the public sector, specifically by the Department of Atomic Energy (DAE).

Option 2 is incorrect: Manufacture and storage of explosive materials is not exclusively reserved for the public sector. The production and storage of explosives are regulated, but the private sector can be involved under strict regulations.

Option 3 is incorrect: Production of defence aircraft and warships is **not exclusively reserved**. While a significant portion is handled by public sector enterprises like Hindustan Aeronautics Limited (HAL) and Mazagon Dock, private sector companies can also participate.

Option 4 is incorrect: Mining of major minerals is **not exclusively reserved**. The mining of certain major minerals like coal and petroleum is now open to the private sector, although the government has a major role in resource allocation.

82. Solution: (c)

Exp) Option c is the correct answer.

In 2018, the Government launched the One District One Product (ODOP) initiative to identify, brand, and promote the unique strengths of each district through a single, iconic product produced in that district.

To give an impetus to the ODOP initiative, the Union Budget of FY24 announced that States would be encouraged to set up 'Unity-Malls' or PM-Ekta Malls. These malls would be set up in the state capital or most prominent tourism centres or the financial capital for the promotion and sale of their own ODOPs, GI products and other handicraft products.

These "PM-Ekta Malls" aim to link the artisans of ODOP and consumers. These malls are creating a vibrant marketplace for the nation's unique products, aiming at both domestic and foreign markets.

Under Unity Mall, a substantial budget of INR 5,000 Cr has been allocated, with a minimum incentive of INR 100 Cr for each state.

To ensure the success of PM-Ekta Malls, commercial spaces are allocated to all states and union territories. Private parties involved in mall operations will fill unoccupied spaces, ensuring a diverse range of ODOP products are showcased.

83. Solution: (c)

Exp) Option c is the correct answer.

There are **12 major ports that are in operation** and more than 200 non-major ports (minor ports) in the country. While the Major Ports are under the **administrative control of the Ministry of Shipping,** the non-major ports are under the jurisdiction of respective State Maritime Boards/ State Government.

The Government of India classifies ports as Major Ports based on their strategic importance, traffic volume, and capacity to handle large-scale cargo operations.They are governed by the Major Port Authorities Act, 2021, which replaced the Major Port Trusts Act, 1963.

Option 1 is correct. Located in **Kerala**, Cochin Port is a major port. **It is situated** at the head of Vembanad Kayal, popularly known as the **'Queen of the Arabian Sea'. It** is also a **natural harbour**. This port has an advantageous location being close to the Suez-Colombo route. It caters to the needs of Kerala, southern Karnataka and south western Tamil Nadu.

Option 2 is correct. Located in Goa, **Mormugao is a major port**. It is situated at the entrance of the **Zuari estuary**, and is a **natural harbour** in Goa. It gained significance after its remodelling in 1961 to handle iron-ore exports to Japan. Karnataka, Goa, Southern Maharashtra constitute its hinterland.

Option 3 is correct. Previously known as **Kandla Port, Deendayal Port** is located in **Gujarat.** It is situated at the head of **Gulf of Kuchchh and has** been developed as a **major port** to cater to the needs of western and north western parts of the country and also to reduce the pressure at Mumbai port. The port is specially designed to receive large quantities of petroleum and petroleum products and fertiliser.

Option 4 is incorrect. Located in **Gujarat, Mundra Port** is **not a major port.** It is a **privately owned port** managed by **Adani Ports and SEZ Limited.** Mundra is one of the largest private ports in India, handling significant cargo volumes.

Option 5 is correct. Located in **Tamil Nadu, Kamarajar Port (formerly Ennore Port)** is a **major port.** It is a newly developed port, constructed 25 km north of Chennai to relieve the pressure at Chennai port.

84. Solution: (c)

Exp) Option c is the correct answer.

Statement I is correct. India is the second largest cement producer in the world after China. The current annual installed capacity of the cement industry in India is about 622 million tonnes. India recorded cement production of around 427 million tonnes in FY24.

The cement industry contributes approximately 11 per cent of the input cost to the construction sector in India.

Statement II is incorrect. Presently, there is no dedicated Production Linked Incentive (PLI) scheme specifically designed for the cement industry in India.

Production Linked Incentive (PLI) Schemes for 14 key sectors have been announced with an outlay of Rs. 1.97 lakh crore (over US$26 billion) to enhance India's Manufacturing capabilities and Exports.

The 14 sectors are: (i) Mobile Manufacturing and Specified Electronic Components, (ii) Critical Key Starting Materials/ Drug Intermediaries & Active Pharmaceutical Ingredients, (iii) Manufacturing of Medical Devices (iv) Automobiles and Auto Components, (v) Pharmaceuticals Drugs, (vi) Specialty Steel, (vii) Telecom & Networking Products, (viii) Electronic/Technology Products, (ix) White Goods (ACs and LEDs), (x) Food Products, (xi) Textile Products: MMF segment and technical textiles, (xii) High efficiency solar PV modules, (xiii) Advanced Chemistry Cell (ACC) Battery, and (xiv) Drones and Drone Components.

85. Solution: (b)

Exp) Option b is the correct answer.

The **Startup India initiative**, launched by the Government of India in **2016,** aims to promote innovation, boost entrepreneurship, and support the growth of startups through various incentives, including tax exemptions, easier compliance, and funding opportunities.

To qualify as a "Startup" under this initiative, an entity must meet specific eligibility criteria.

Eligibility Criteria for Startup Recognition

1. **Age of the Entity**: The period of existence and operations of the company should not exceed 10 years from the date of incorporation. **Hence, statement 1 is correct.**
2. **Legal Structure**: The startup **must be registered as a Private Limited Company**, a **Partnership Firm**, or a **Limited Liability Partnership** (LLP) under the relevant laws of India.
   - Hence, **it is not mandatory for the entity to be registered as a Private Limited Company, it can also be registered as a partnership firm or an LLP. Hence, statement 2 is incorrect.**
3. **Turnover Limit**: The **annual turnover must not exceed ₹100 crore in any financial year** since incorporation. **Hence, statement 3 is correct.**
4. **Innovation & Scalability**: The startup should be working towards innovation, development, improvement of products or processes, or a scalable business model with high potential for employment generation and wealth creation.
5. **Not Formed by Splitting or Reconstruction**: The entity must not be formed by splitting up or reconstructing an existing business.

Profitability is NOT a Criterion:

There is **no requirement that a startup must be profitable for a specific period.** Even loss-making entities can be recognized as startups, provided they meet the above eligibility conditions. **Hence, statement 4 is incorrect.**

Important Tips

Key Differences Between Private Limited Company and LLP:

1. Governing Law: A Private Limited Company (Pvt Ltd) is governed by the Companies Act, 2013, whereas a LLP is regulated under the LLP Act, 2008.
2. Ownership & Management: In a Pvt Ltd company, shareholders own the company, and directors manage it, keeping ownership separate from management. In an LLP, partners both own and manage the business directly.
3. Liability: Both have limited liability, meaning owners are not personally liable for debts. However, in an LLP, liability is limited to each partner's agreed contribution, whereas in a Pvt Ltd company, it is limited to the shareholder's investment in shares.

86. Solution: (b)

Exp) Option b is the correct answer.

A Patent provides the patent holder with the **right to exclude others** from making, using, selling, importing the patented product or process for producing that product for those purposes without his consent.

In India, patents are governed by the **Indian Patents Act, 1970**, which has been amended multiple times, including a significant amendment in 2005 to comply with **the TRIPS Agreement** under the **World Trade Organization** (WTO).

Statement 1 is correct: Patent protection is a territorial right and therefore it is effective only within the territory of India. There is no concept of global/world patent.

If an inventor wants protection in multiple countries, they must apply separately in each country or use international treaties like the **Patent Cooperation Treaty** (PCT), which can make it possible for an invention to seek patent protection simultaneously in a large number of countries.

Statement 2 is correct: As per the **Indian Patents Act, 1970**, as amended by the Patents (Amendment) Act, 2005, the **term of a patent is 20 years** from the date of filing of the application. This duration is in line with the TRIPS agreement, which mandates a minimum patent term of 20 years for WTO member countries.

Statement 3 is incorrect: Literary, dramatic, musical, and

artistic works are **not eligible for patents** because patents protect technical inventions that are novel, involve an inventive step, and have industrial applicability.

1. These types of creative works fall under the scope of copyright law, which provides protection for original expressions rather than technical innovations.
2. For instance, literary, dramatic, musical, and artistic works are **protected under the Copyright Act, 1957 in India.**

87. Solution: (d)

Exp) Option d is the correct answer.

India has 12 Major ports and 200+ minor (non-major) ports along its coastline, which play a crucial role in regional trade, coastal shipping, and industrial development.

Out of all minor ports, around 65 handle cargo, while the remaining ports fall under "Port Limits", serving as hubs for fishing vessels and small ferries that transport passengers across creeks and waterways.

Statement I is incorrect: All **minor (non-major) ports in India, are governed under the Indian Ports Act, 1908 (IPA, 1908).**

1. This Act, which consists of 69 sections and two schedules, regulates various aspects of port operations, including berths, stations, anchoring, fastening, mooring, and unmooring of vessels.
2. Also, the **Major Ports in India** are governed under the **Major Port Trusts act, 1963.**

Statement II is correct: While **major ports** are under the **direct administrative control** of the Ministry of Ports, Shipping & Waterways, **Government of India.**

The **minor (non-major) ports** fall under the **jurisdiction and administrative control of State Maritime Boards or State Governments.**

The Ministry of Ports, Shipping & Waterways, Government of India plays a policy-making and regulatory role but does not directly administer minor ports.

Therefore, **Statement-I is incorrect, but Statement-II is correct.**

88. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct: The **Open Network for Digital Commerce** (ONDC) has been **incorporated as a Section 8 company (non-profit organization)** under the **Companies Act, 2013.**

1. Section 8 companies are established with the objective of promoting social welfare and development without the intent of making profits.
2. **ONDC** aims to create an **open and decentralized digital commerce network** that is not controlled by a few large players, ensuring wider participation from businesses of all sizes, including small and medium enterprises (SMEs).

Statement 2 is incorrect: ONDC is **not an initiative of the National Payments Corporation of India** (NPCI).

1. The Open Network for Digital Commerce (ONDC) is a transformative initiative by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce, Government of India aimed at democratizing digital commerce. Launched in April 2022, ONDC is an initiative aiming at promoting open networks for all aspects of exchange of goods and services over digital or electronic networks.
2. **NPCI** is an **umbrella organization** for operating **retail payment and settlement systems** in India.
   - NPCI was established in 2008 by the RBI and the Indian Banks' Association (IBA).
   - It is responsible for innovations such as Unified Payments Interface (UPI), RuPay, and Bharat Bill Payment System (BBPS).
3. While NPCI focuses on digital payment infrastructure, ONDC is designed to transform digital commerce by establishing an open protocol-based system, allowing businesses to operate independently across platforms.

Statement 3 is correct: ONDC seeks to **democratize digital commerce** by **promoting interoperability among e-commerce platforms** by adopting open network protocols that allow buyers and sellers to transact across different platforms seamlessly.

1. Unlike traditional platform-centric digital commerce models that act as centralized intermediaries, and where the buyer and seller have to use the same platform.
2 ONDC enables an **open and decentralized ecosystem** where any **seller can connect with any buyer across different platforms,** thereby creating an **open and inclusive digital commerce ecosystem.**
3. This approach aims to lower entry barriers for small businesses, reduce digital monopolies, and ensure better price discovery and consumer choice.

89. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct: The **service sector** has been the dominant contributor to India's Gross Value Added (GVA) for more than a decade. The **share of the service sector in GVA has consistently remained above 50% in the last decade.**

In FY14, the service sector contributed 50.6% to GVA, and this share has steadily increased to around 55% in FY25.

Chart VIII.3: Growth in services GVA

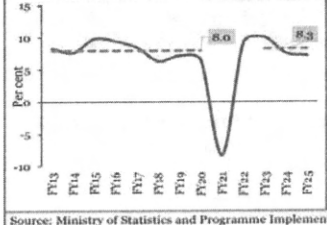
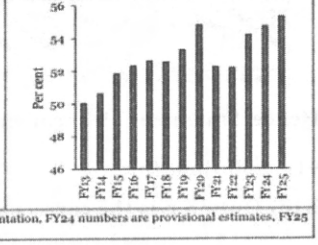


Chart VIII.4: Service sector share in GVA



Source: Ministry of Statistics and Programme Implementation. FY24 numbers are provisional estimates, FY25 numbers are first advance estimates

Statement 2 is incorrect: The service sector has generally witnessed strong, stable and positive growth, with the YoY growth rate in real GVA by services exceeding 6% in most years over the last decade.

1 However, **during FY21 (the COVID-19 pandemic year)**, the **service sector contracted by 8.4%, marking negative growth.**

2. Before the pandemic, the average growth rate of the service sector was 8%, and in the post-pandemic years (FY23 to FY25), the average growth has increased to 8.3%.

3. Despite strong growth trends, the **negative growth in FY21** means the **sector did not experience consistent positive growth over the last five years.**

Statement 3 is correct: The service sector is one of the largest employment generators in India, covering a wide range of industries such as IT, financial services, retail, tourism, healthcare, education, and transport. The sector provides **employment to approximately 30 per cent of the total workforce of the country.**

90. Solution: (d)

Exp) Option d is the correct answer.

Statement I is incorrect: As of October 2024, the country has **26 operational waterways** of more than **4,800 km.** The **longest operational inland waterway in India** is **National Waterway 1** (NW-1), but it is **not in Assam.**

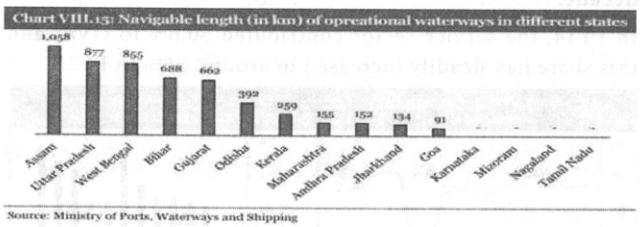
NW-1 spans approximately **1,620 km** along the **Ganga-Bhagirathi-Hooghly river** system, passing through the states of **Uttar Pradesh, Bihar, Jharkhand**, and **West Bengal.**

In contrast, **National Waterway 2** (NW-2) on the **Brahmaputra River (Dhubri - Sadiya)** in **Assam** is about **891 km** long, making it the **second longest** operational inland waterway in India.

Statement II is correct: The total navigable length of waterways in India is around **14,850 km.**

Among all states of India, **Assam** has the **highest navigable length of operational inland waterways in India,** with a total of **1,058 km,** followed by Uttar Pradesh (877 km) and West Bengal (855 km).

The **Brahmaputra River (National Waterway 2 - NW-2)** and the **Barak River (National Waterway 16 - NW-16)** are the two major waterways in Assam.



Hence, Statement I is incorrect, but Statement II is correct.

91. Solution: (b)

Exp) Option b is the correct answer.

Real Estate Investment Trusts (REITs) are investment vehicles that allow individuals to invest in income-generating real estate assets without directly owning physical properties.

They **operate like mutual funds** but **focus on real estate,** pooling funds from investors to buy and manage commercial properties such as office buildings, malls, hotels, and warehouses.

Statement 1 is incorrect: REITs in India are **regulated by the Securities and Exchange Board of India** (SEBI) under the **SEBI (Real Estate Investment Trusts) Regulations, 2014.**

The Reserve Bank of India (RBI) does not regulate REITs, as its primary role is monetary policy, banking regulation, and financial stability, not capital market investments.

Statement 2 is incorrect: REITs cannot invest in agricultural land or vacant land, as per SEBI regulations. To ensure that REITs generate continuous and stable returns, **SEBI mandates** that **at least 80%** of a **REIT's assets** must be **invested in completed and revenue-generating properties.**

Up to 20% of the REIT's assets **can be invested in:**

1. Properties under development (but not more than 10% of total assets).
2. Mortgage-backed securities.
3. Debt instruments of companies in the real estate sector.
4. Equity shares of listed companies that derive at least 75% of their income from real estate.
5. Government securities and money market instruments.

Statement 3 is correct: REITs can raise capital from both domestic (resident) and foreign investors, making them an attractive investment vehicle for global investors.

Foreign Institutional Investors (FIIs) and **Foreign Portfolio Investors** (FPIs) **are permitted to invest in Indian REITs,** broadening the investment base and bringing international capital into the real estate sector.

92. Solution: (b)

Exp) Option b is the correct answer.

Flipping is when an Indian company transforms into a 100% subsidiary of a foreign entity (transfer of entire ownership) or moves its headquarters to foreign in quest of capital and better business environment. Flipping happens due to cumbersome procedures, red tapism, multiple layers of taxation etc. in India.

Reverse flipping is the process of an Indian company, mainly **startup companies, shifting its headquarters from foreign country to India** and listing on Indian Stock exchanges due to the

93. Solution: (b)

Exp) option b is the correct answer.

The Commission of Railway Safety (CRS) is an essential body responsible for overseeing the safety of rail travel and train operations in India.

Statement 1 is incorrect. The CRS operates under the administrative control of the Ministry of Civil Aviation,

not the Ministry of Railways. This separation ensures an independent oversight mechanism, free from potential conflicts of interest associated with the railway operations it monitors.

Statement 2 is correct. Commission conducts statutory inquiry into serious train accidents occurring on the Indian Railways and makes recommendations for improving safety on the Railways in India.Beyond investigatory duties, the commission also performs inspectorial and advisory roles to enhance railway safety standards. Other functions include:

1. Authorization for opening of new Railway/Metro lines.
2. Sanction for execution of Minor Works related to modifications.
3. Condonation of Infringements to Schedule of Dimensions, Sanction for movement of Over Dimensional Consignment (ODC) on Indian Railways.
4. Periodical Inspection of running lines and other Railway/ Metro assets.

94. Solution: (d)

Exp) option d is the correct answer.

The **Digital Bharat Nidhi (DBN)** is a new initiative under the **Telecommunications Act, 2023**, designed to boost **rural telecom infrastructure** and ensure that **affordable internet and mobile connectivity reach every corner of India.**

Statement 1 is correct. The **USOF was originally created in 2002** to fund telecom development in **rural and remote areas.** However, the fund was often criticized for its underutilization and inefficiency in bridging the digital divide. **To address these issues, DBN was introduced in the Telecommunications Act, 2023, effectively replacing USOF.** The **focus of DBN is broader**, covering **not just rural telecom expansion but also research, innovation, and cybersecurity in telecom services.**

Statements 2 and 3 are correct. The sums of money received towards the Digital Bharat Nidhi under section 24, shall first be credited to the Consolidated Fund of India, and the Central Government may, if Parliament by appropriation made by law in this behalf so provides, credit such proceeds to the Digital Bharat Nidhi from time to time for being utilised exclusively to meet any or all of the following objectives, namely:— (i) support universal service through promoting access to and delivery of telecommunication services in underserved rural, remote and urban areas; (ii) **support research and development of telecommunication services, technologies, and products;** (iii) support pilot projects, consultancy assistance and advisory support towards provision of service under clause (a) of this section; (iv) support introduction of telecommunication services, technologies, and products.

95. Solution: (c)

Exp) Option c is the correct answer.

India is among the top 5 military spenders and one of the emerging defence manufacturing hubs in the world. To support the growth of the Defence sector and enhance manufacturing capacity in the sector, Defence Industrial Corridors are being set up in India.

The Government of India has launched **two Defence Industrial Corridors** to promote indigenous defence manufacturing:

1. **Uttar Pradesh Defence Industrial Corridor (UPDIC):** This corridor encompasses six nodes: Agra, Aligarh, Chitrakoot, Jhansi, Kanpur, and Lucknow. It aims to leverage the existing manufacturing ecosystem in Uttar Pradesh to boost defence production.
2. **Tamil Nadu Defence Industrial Corridor (TNDIC):** This corridor includes five nodes: Chennai, Coimbatore, Hosur, Salem, and Tiruchirappalli. It capitalizes on Tamil Nadu's robust industrial base to enhance defence manufacturing capabilities.

96. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: DMF is established to utilize a portion of mining royalties for the socio-economic development of mining-affected regions, ensuring that local communities benefit from resource extraction. It focuses on health, education, skill development, water supply, and environmental restoration.

Option b is incorrect: DMF **does not provide financial incentives to mining companies; rather, it collects funds from them to aid local communities.**

Option c is incorrect: DMF **does not operate as a direct cash transfer scheme but funds infrastructure and welfare projects for affected people.**

Option d is incorrect: DMF is **not a regulatory body. Ensuring compliance with environmental laws falls under the Ministry of Environment, Forest and Climate Change (MoEFCC), Central and State Pollution Control Boards.**

97. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Trade secrets are **confidential pieces of information that businesses use to gain a competitive edge.** This can include anything from manufacturing processes and customer lists to software algorithms and marketing strategies. **The key element is that the information must be kept secret to maintain its value.**

Statement 2 is correct: In India, trade secrets are primarily protected under the principles of the Indian Contract Act, 1872, as there is no dedicated "Trade Secrets Act" and protection largely relies on **enforcing confidentiality clauses and non-disclosure agreements (NDAs) through contract law.**

98. Solution: (b)

Exp) Option b is the correct answer.

1) The **Sabroom Land Port, inaugurated by Prime Minister Narendra Modi in March 2024, is the third land port in Tripura** and a key part of **India's Act East Policy.**

2) It is strategically **located in the South Tripura district of Tripura,** on the banks of the **Feni River**, which forms the **international border with Bangladesh.**
3) It is **connected to the Chittagong port in Bangladesh via the Maitree Bridge**, enhancing **transportation of passengers and goods between the two countries.**
4) It **also aims to enhance trade with Southeast Asia** through the Chittagong Sea port in Bangladesh, making Tripura a gateway to the region.

99. Solution: (b)

Exp) Option b is the correct answer.

The Industrial Policy Resolution of 1956 was adopted in accordance with the goal of the State controlling the commanding heights of the economy.

The Industrial Policy Resolution, 1956 classified the industries into three categories. A clear-cut classification of industries was done with **three schedules namely Schedule A, B and C.**

1. Schedule A had 17 industrial areas in which the Centre was given complete monopoly. These industries would be exclusively owned by the government.
2. Schedule B had 12 industrial areas in which the state governments were supposed to take up the initiatives and the private sector had to follow. This schedule also carried the provisions of compulsory licensing. It consisted of industries in which the private sector could supplement the efforts of the public sector, with the government taking the sole responsibility for starting new units.
3. Schedule C had all industrial areas that were left out of Schedules A and B. The private enterprises had the provisions to set up industries. Many of them had the provisions of licensing. No new industry was allowed unless a license was obtained from the government.

Also, **the provision of compulsory licensing for industries, was cemented in this policy**. All the schedule B industries and a number of schedule C industries came under this provision.

Important Tips

Other important provisions of the Industrial Policy Resolution of 1956:

1. Expansion of the public sector was pledged for the accelerated industrialisation and growth in the economy.
2. It committed to set up the upcoming PSUs in the comparatively backward and underdeveloped regions/ areas to tackle the widening regional disparity.
3. The agricultural sector was given as a priority.
4. Small industries were given special focus.

100. Solution: (d)

Exp) Option d is the correct answer.

The Smart Cities Mission (SCM) was l**aunched on June 25, 2015**, with the **key objective of promoting cities to provide core infrastructure, clean and sustainable environment and give a decent quality of life** to their citizens through the application of 'smart solutions'. At the National level, implementation is monitored by an Apex Committee headed by Secretary, **Ministry of Housing and Urban Affairs (MoHUA).**

Statement 1 is correct. The implementing agencies of SCM include Special Purpose Vehicle (SPV) and Smart City Advisory Forum (SCAF).

Each Smart City is expected to constitute a Smart City Advisory Forum which includes MP, MLA, Mayor, District Collector, CEO of SPV, local youths, technical experts, and at least one member from the area who is a,

a. President/Secretary representing registered Residents Welfare Association,
b. Member of registered Tax Payers Association/Rate Payers Association,
c. President/Secretary of slum level federation, and
d. Members of a Non-Governmental Organization (NGO) or Mahila Mandali/Chamber of Commerce/Youth Associations.

Statement 2 is correct. Under Smart Cities Mission all 28 states in India has at least one smart city developed under the Smart cities Mission. This mission, launched by the Government of India, aims to enhance urban infrastructure and quality of life through technological advancements and sustainable development practices. By ensuring representation from every state, the initiative promotes balanced regional development and equitable access to modern urban amenities and services across the country.

Statement 3 is correct. As per the parliamentary committee reports progress of work is from 80% to 100% in 57 cities amongst which **Madurai is the only Smart City which has completed 100%** of smart city projects by December 2023. However, progress of work is 50% or below 50% in 14 cities."

101. Solution: (d)

Exp) Option d is the correct answer.

In the context of economics and business, the terms **"Gazelles"** and **"Cheetahs"** are used to categorize **fast-growing startups** based on their revenue growth rate and valuation potential, expected to become unicorns within a few years. These companies play a crucial role in driving innovation, job creation, and economic expansion.

1. **Gazelles:** Startups valued between **$500 million and $1 billion**, anticipated to reach unicorn status (valuation over $1 billion) within **three years**. They often attract significant venture capital funding due to their high potential for success.
2. **Cheetahs:** Startups valued between **$200 million and $500 million**, expected to achieve unicorn status within **five years**. They often operate in sectors like fintech, e-commerce, artificial intelligence, and deep tech.

Important Tips

Other Related Terms:

1. **Unicorns:** Privately held startup companies founded after 2000 that are now valued at over $1 billion. The term was coined to highlight the rarity of such companies.
2. **Zebras:** Startups that prioritize both profitability and social impact over disruptive rapid growth, making them both "black and white."
3. **Camels:** Sustainable startups with a long-term view that can survive and thrive in challenging environments. They are known for being resilient and adaptable, particularly in resource-scarce conditions.

Shell Companies:

1. Companies with **little to no operational activity or assets,** often used for tax avoidance, are commonly referred to as **shell companies**. These firms exist primarily on paper and lack significant business operations, employees, or physical presence.
2. These companies are often **misused for tax evasion, money laundering, and concealing financial activities**

102. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct: The **Treaty on Intellectual Property, Genetic Resources, and Associated Traditional Knowledge** establishes a **mandatory patent disclosure requirement**.

1. It requires that **patent applicants disclose the country of origin of genetic resources** (GRs) and/or the **Indigenous Peoples or local community** providing the associated traditional knowledge (ATK) if the **claimed inventions are based on genetic resources** and/or associated traditional knowledge.
2. This disclosure aims to prevent the erroneous granting of patents that lack novelty or inventive steps due to undisclosed use of GRs or ATK.

Statement 2 is incorrect: The **treaty was adopted under the aegis of the World Intellectual Property Organization** (WIPO) (not UNEP), in **May, 2024.**

1. **WIPO** is a specialized agency of the United Nations, headquartered at **Geneva**, that is responsible for promoting the protection of intellectual property worldwide.
2. The treaty represents a significant milestone as it is the **first WIPO treaty** to specifically **address genetic resources** and **traditional knowledge held by Indigenous Peoples** as well as local communities.
3. This is the 27th treaty under WIPO and the first in the last 10 years.

Statement 3 is incorrect: India did not oppose the treaty; on the contrary, it **played a pivotal role in its adoption** and views it as a significant victory for the protection of its genetic resources and traditional knowledge.

The treaty's provisions align with India's longstanding advocacy for mandatory disclosure requirements in patent applications, aiming to prevent the misappropriation of its rich biodiversity and associated traditional knowledge.

103. Solution: (a)

Exp) Option a is the correct answer.

Pradhan Mantri Awas Yojana (Urban) for ensuring housing for all in urban areas was launched on **25th June 2015 providing pucca houses to all eligible beneficiaries by 2022.**

Statement 1 is correct: Pradhan Mantri Awas Yojana (PMAY) prioritizes women's empowerment by a mandatory provision for the female head of the family to be the owner or co-owner of the house.

Component	Funding Pattern
Credit Linked Subsidy Scheme (CLSS)	100% Central funding (Interest subsidy)
In-Situ Slum Redevelopment (ISSR)	₹1 lakh per house (Central share) + State/UT contribution
Affordable Housing in Partnership (AHP)	₹1.5 lakh per house (Central share) + State/UT & ULB/ Beneficiary contribution
Beneficiary Led Construction (BLC)	₹1.5 lakh per house (Central share) + State/UT & Beneficiary contribution

Statement 2 is correct: PMAY has a wider network of lending institutions for its CLSS . **These include Scheduled Commercial Banks, Regional Rural Banks (RRBs), Housing Finance Companies (HFCs), State Cooperative Banks and Urban cooperative banks.** This broadens the scheme's reach and accessibility.

Statement 3 is incorrect: Following category of persons are eligible under the scheme:

- A beneficiary is defined as a family consisting of husband, wife and unmarried children. Such beneficiary should not own a pucca house either in his / her name or in the name of any member of his / her family in any part of India to receive Central Assistance under the Mission.
- Person having pucca house less than 21 sqm may be included under enhancement of existing house
- **Adult earning members irrespective of marital status are also eligible.**
- EWS category of beneficiaries is eligible for Assistance in all four verticals of the Missions whereas LIG/MIG category is eligible under only CLSS component of the Mission

104. Solution: (c)

Exp) Option c is the correct answer.

The "Startups, Women and Youth Advantage Through e-Transactions" (SWAYATT) on GeM campaign was initially unveiled in February 2019.

Statement 1 is correct: SWAYATT Initiative sought to promote inclusivity of various categories of sellers and service providers on the portal, **foster women's entrepreneurship,** and encourage participation of MSME sector and **start-ups in public procurement** by taking proactive measures to make their training and registration easier.

Statement 2 is incorrect: The initiative was launched under **the Ministry of Commerce and Industry (not the Ministry of MSMEs).** It brings together the key stakeholders within the Indian entrepreneurial ecosystem to Government e-Marketplace, the national procurement portal.

Statement 3 is correct: SWAYATT aims to **boost the advantages of electronic transactions on government e-Marketplaces (GeM) for new businesses, women, and minorities.**

105. Solution: (c)

Exp) Option c is the correct answer.

Pair 1 is correct: Ministry of **Micro, Small and Medium Enterprises (MSMEs)** has launched the **Udyam portal** on 1st July 2020. It is an **online system for registering MSMEs.** It is linked to the databases of the Central Board of Direct Taxes (CBDT) and Goods and Services Tax Network (GSTN). It is fully online, does not require any documentation, and is a step towards Ease of Doing Business for MSMEs.

Pair 2 is incorrect: The **Ministry of Micro, Small and Medium Enterprises (MSME) has launched CHAMPIONS** (Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength) **portal.** It was developed to assist Indian MSMEs march into the big league as National and Global CHAMPIONS by solving their grievances and encouraging, supporting, helping and hand holding them.

Pair 3 is correct: Ministry of Labour & Employment has developed **eShram portal** for creating a **National Database of Unorganized Workers** (NDUW), which will be seeded with Aadhaar. It contains details of name, occupation, address, occupation type, educational qualification, skill types etc. for optimum realization of their employability and extend the benefits of the social security schemes to them. It is the first-ever national database of unorganized workers including migrant workers, construction workers, gig and platform workers, etc.

Pair 4 is correct: Yuktdhara Portal was launched by the Ministry of Rural development. It will help in facilitating the **Mahatma Gandhi National Rural Employment Guarantee Act assets with the use of remote sensing and Geographic Information System based information.** It will serve as a **repository of assets (Geotags)** created under various National Rural Development Programmes such as MGNREGA, Integrated Watershed Management Programme, Per Drop More Crop and Rashtriya Krishi Vikas Yojana etc., along with field photographs.

106. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: India's National Infrastructure Pipeline (NIP) envisages an **infrastructure investment of Rs 111 lakh crore over the period from FY 2019 till FY 2025.** Financing of infrastructure investments at such a scale necessitates a re-imagined approach and tapping alternative financing through innovative ways. **But the NIP does not define the term 'Infrastructure' as such.**

Statement 2 is correct: NIP envisages improving project preparation and attracting domestic and foreign investment in infrastructure. The NIP includes infrastructure projects of more than Rs.100 crore **covering greenfield and brownfield investments.**

Statement 3 is incorrect: As estimated by the Report of Task Force for NIP (2019), **traditional sources of capital** like Banks, Financial Institutions, etc. **are expected to finance 83–85% of the capital expenditure** envisaged under NIP. **About 15- 17%** of the aggregate outlay is expected to be met through innovative mechanisms such **as Asset Recycling & Monetization and** new long-term initiatives such **as Development Finance Institution (DFI). Hence the NIP is not wholly funded by the public sector banks only.**

107. Solution: (b)

Exp) Option b is the correct answer.

Union Cabinet has recently approved the sale of a majority stake in Rural Electrification Corporation (REC) to Power Finance Corporation (PFC). REC came into being in 1969 to articulate a response to the pressing exigencies of the nation.

Statement 1 is incorrect: Rural Electrification Corporation **is a Navratna Company** functioning under the purview **of the Ministry of Power.**

Statement 2 is correct: It takes the role of public Infrastructure Finance Company in India's power sector and promotes rural electrification projects across India. **The company provides loans to Central/ State Sector Power Utilities, State Electricity Boards, Rural Electric Cooperatives, NGOs and Private Power Developers for power generation projects.**

Statement 3 is correct:

REC is the Nodal Agency for Government of India's flagship schemes viz. **Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGAYA), Deen Dayal Upadhaya Gram Jyoti Yojana (DDUGJY) and National Electricity Fund (NEF).** Further, alongwith PFC, REC has also been designated as Nodal Agency for Revamped Distribution Sector Scheme (RDSS). Besides, REC assists Ministry of Power in monitoring of the Ujjwal Discom Assurance Yojana (UDAY) which seeks to operationally reform and financially turnaround the power distribution companies of the country.

Important Tips

PFC is essentially a state-run non-banking financial company that focuses on power infrastructure, while REC is an implementation and finance company with a focus on generation.

SAUBHAGYA- Pradhan Mantri Sahaj Bijli Har Ghar Yojana was launched to achieve universal household electrification covering every village and every district in the country. All DISCOMs including Private Sector DISCOMs, State Power Departments and RE Cooperative Societies are eligible for financial assistance under this scheme.

108. Solution: (d)

Exp) Option d is the correct answer

Recently, the Ministry of Corporate Affairs, Government of India has revised the rules regarding utilisation of Corporate Social responsibility (CSR) funds by corporate companies by notifying Corporate Social responsibility (CSR) Amendment rules, 2022.

Statement 1 is incorrect: The Corporate Social responsibility **(CSR) Amendment rules, 2022 did not make any change in the net worth of companies** or their net profits to be brought under the ambit of CSR activity. Thus, as earlier, CSR rules apply to only those companies having a **net worth of at least 500 crores or** a **turnover** of Rupees **1000 crore** or more or a **net profit of Rupees 5 crore** or more.

Statement 2 is incorrect: Social Impact Assessment (SIA) is carried to review the **social effects of companies'** activities on the society. The CSR rules 2022 stated that expenditure by **companies on SIA shall not exceed 2.5% of total CSR expenditure** in a year or **₹50 lakh whichever is higher**. The earlier rule had allowed up to **5%** of the total CSR spending or **₹50 lakh whichever is less.**

Statement 3 is correct: CSR rules 2022 allows companies to carry forward their unspent amount for maximum three years. The new rules require companies to establish a **CSR committee** to monitor the utilisation of such unspent amounts by companies.

109. Solution: (b)

Exp) Option b is the correct answer

Quality Council of India (QCI) was established as a National body for Accreditation in 1997.

Statement 1 is correct: QCI a non-profit organization registered under the Societies Registration Act XXI of 1860 was set up through a PPP model as an independent autonomous organization. It was established by Government of India and three industry associations,

(i) Associated Chambers of Commerce and Industry of India (ASSOCHAM),

(ii) Confederation of Indian Industry (CII)

(iii) Federation of Indian Chambers of Commerce and Industry (FICCI).

Statement 2 is incorrect: This organisation comes under Department of Industrial Policy and Promotion, Ministry of Commerce and Industry. QCI has important role at the national level in propagating, adoption, and adherence to quality standards in all important areas like education, healthcare, environment protection, governance, social sectors etc.

Statement 3 is correct: QCI, along with industry stakeholders, has developed a standard "Workplace Assessment for Safety and Hygiene" (WASH)" for the benefit of citizens and industry. It involves helping the organizations assess their post pandemic preparedness to restart and run their operations safely keeping workplace safety in mind.

This standard is applicable for assessment for all workplaces allowed to operate.

110. Solution: (d)

Exp) Option d is the correct answer.

A patent is an exclusive right to prohibit others from using, making, or selling an innovation for a fixed period of time. The government grants a patent for any innovation that is novel, non-tangible, and valuable in terms of contemporary application.

As per Sections 3 and 4 of the Indian Patent Act, the following innovations are not Patentable in India:

1. An invention that is frivolous or trivial
2. The mere discovery of a scientific principle **(Hence, option 1 is correct.)**
3. Moreover, an invention whose primary goal or intended use is contrary to law or morality or is injurious to public health
4. The formulation of an abstract theory
5. Similarly, the mere arrangement or rearrangement or duplication of known devices, each functioning independently of one another in a known way
6. A method of agriculture or horticulture **(Hence, option 2 is correct.)**
7. Inventions relating to atomic energy **(Hence, option 3 is correct.)**
8. Any process for the medicinal, surgical, curative, prophylactic, or any other type of treatment of people or animals or other creatures
9. A mathematical or business method or a computer programme per se or algorithms. **(Hence, option 4 is correct.)**
10. Likewise, a literary, dramatic, musical, or artistic work or any other aesthetic creation whatsoever including cinematographic works and television productions
11. Similarly, a mere scheme or rule or method of performing a mental act or method of playing a game
12. Presentation of information
13. Topography of integrated circuits
14. An invention which in effect is traditional knowledge or is based on the properties of traditional knowledge. **(Hence, option 5 is correct.)**

111. Solution: (c)

Exp) Option c is the correct answer.

Bureau of Energy Efficiency (BEE) is established under provisions of the Energy Conservation Act 2001, to promote efficient use of energy and its conservation.

Statement 1 is incorrect: Bureau of Energy Efficiency (BEE) is a statutory body under the Ministry of Power (not under the Ministry of New and Renewable Energy). It is established under provisions of the Energy Conservation Act 2001, to promote efficient use of energy and its conservation.

Statement 2 is correct: The mission of the BEE is to assist in developing policies and strategies with a thrust on self-regulation and market principles, within the overall framework of the Energy Conservation Act, 2001 with the primary objective of reducing energy intensity of the Indian economy. Energy intensity is a measure to assess the energy efficiency of a particular economy.

Statement 3 is correct: BEE Star Labelling is mandatory for frost-free refrigerators, colour TVs, all kind of ACs, distribution transformers, tubular florescent lamps, LED lamps, electric geysers and direct cool refrigerators.

112. Solution: (d)

Exp) Option d is the correct answer.

The Sagarmala Programme was launched with the approval of the Union Cabinet on 25th March 2015, with a view to achieve the broad objective of promoting port-led development in India.

Statement 1 is correct: The Sagarmala Programme is a Central Sector Scheme to provide financial support to Major Ports by way of grant for construction /up-gradation of coastal regions.

Statement 2 is correct: The Sagarmala scheme expected to harness India's 7,500 km long coastline, 14,500 km of potentially navigable waterways and strategic location on key international maritime trade routes. The main vision of the Sagarmala Programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment.

Statement 3 is correct: The Coastal Berth Scheme is a key initiative under the Sagarmala Programme to promote the development of dedicated infrastructure for coastal shipping of goods and passengers across India's Major and Non-Major Ports. The scheme provides financial aid for projects which promote coastal shipping at Indian ports. So far, 21 projects worth Rs. 729.6 Cr have been provided financial assistance of Rs. 205 Cr. under this scheme.

113. Solution: (a)

Exp) Option a is the correct answer.

The Ministry of Tourism has undertaken various measures to boost the tourism sectors and promote India as a 'major tourism destination'.

Option a is correct: Both NIDHI and SAATHI initiatives are related to tourism and Hospitality industry. National Integrated Database of Hospitality Industry (NIDHI) is a digital portal on which the Ministry of Tourism, with the help of State Governments and Union Territory Administrations, is making efforts to register accommodation units in the country.

System for Assessment, Awareness, and Training for Hospitality Industry (SAATHI) was launched in association with the Quality Council of India to restrict any further transmission of the virus while providing accommodation and other services post lockdown. The objective of the scheme is to sensitise the industry on the Covid-19 regulations of the government.

Option b is incorrect: PM SVANidhi (Pradhan Mantri Street Vendor's Aatmanirbhar Nidhi Scheme) was launched to provide credit facility and digitisation of identities on e-Shram portal of the street vendors.

Option c is incorrect: PM-KISAN (Pradhan Mantri Kisan Samman Nidhi) was launched to provide income support to farmers and their families

Option d is incorrect: Jan Shikshan Sansthan aims to provide vocational training to non-literates, neo-literates as well as school dropouts in rural regions by identifying skills that have a relevant market in that region.

114. Solution: (c)

Exp) Option c is the correct answer.

For a better understanding of the Indian economy, it is advisable to investigate the various industrial polices.

Industrial Policy	Description
Industrial Policy Resolution, 1948	• It was the first economic policy of the country. • Under this, it was provided that India will be a mixed economy. (Hence, pair 1 is correct.)
Industrial Policy Resolution, 1956	• The provision of compulsory licensing for industries was introduced in this policy. (Hence, pair 2 is correct.) • The industries set up under Schedule A of this policy were known as the Central Public Sector Undertakings (CPSUs) later getting popularity as 'PSUs'. • There was emphasis on small industries as well as the khadi and village industries.
Industrial Policy Statement, 1973	• A new class i.e., core industries was created. In the future, these industries came to be known as basic industries, infrastructure industries in the country.

	• A limited permission for foreign investment was given, with the multinational corporations (MNCs) being allowed to set up subsidiaries in the country. • This policy didn't set up Central Public Sector Undertakings (CPSUs). They were set up by the Industrial Policy Resolution, 1956. (Hence, pair 3 is incorrect.)
Industrial Policy Resolution, 1985 and1986	The equity holding of the MNCs in the Indian subsidiaries could be up to 49 per cent with the Indian partner holding the rest of the 51 per cent shares (Hence, pair 4 is correct.)

115. Solution: (d)

Exp) Option d is the correct answer:

Swadesh Darshan Scheme was launched in **2014- 2015** with the aim of promoting as well as developing sustainable and responsible tourism in the country.

Statement 1 is correct: The State Government will have to designate the Implementing Agency for the projects under the Scheme and inform the Ministry of Tourism. The Ministry of Tourism, may on its own, select a Central agency for implementation of any project or initiative under the Scheme. The State or Central Implementation Agency shall ensure technical, financial and administrative compliance of the guidelines and other terms and conditions of the sanction of the project and instructions issued by the Ministry from time to time.

Statement 2 is correct: The Scheme is 100% centrally funded. The funds shall be sanctioned and released to the Implementing Agency as per the guidelines of the Scheme and in conformity with the General Financial Rules and the directions issued by the M/O Finance from time to time.

Statement 3 is correct: Few important tourist circuits launched under this scheme includes Buddhist circuit, North- East circuit and **Ambedkar circuit**. Ambedkar Circuit or Panchteerth launched to attract tourists beyond Dalit community. It would include Janma Bhoomi in Madhya Pradesh's Mhow; Shiksha Bhoomi, the place in London where he stayed while studying in the UK; Deeksha Bhoomi in Nagpur where he embraced Buddhism; Mahaparinirvan Bhoomi or the place of his demise in Delhi, and Chaitya Bhoomi, the place of his cremation, in Mumbai.

116. Solution: (a)

Exp) Option a is the correct answer.

The Government of India is taking steps to promote the manufacturing of semiconductor chips in India. Reasons for the same are as follows:

Statement 1 is correct - Chip design and manufacturing is a highly capital-intensive business. The ISRO and the DRDO have their respective fab foundries but they are primarily for their own requirements and also not as sophisticated as the latest in the world. A semiconductor fabrication facility (or fab) can **cost multiples of a billion dollars to set up even on a relatively small scale** and lagging by a generation or two behind the latest in technology. It calls for a developed ecosystem for the business to thrive. As per a government estimate, it would cost roughly $5-$7 billion to set up a chip fabrication unit in India.

Statement 2 is correct - To encourage semiconductor manufacturing in India, the Govt has decided to extend the PLI (Production-Linked Incentive) scheme with a budgeted incentive of Rs 76,000 crore over the next six years. The **scheme envisages providing fiscal support of up to 50% of project cost for firms looking to set up display and semiconductor fabrication facilities** (FABS) in India. The govt will work closely with the states establish High-Tech Clusters with requisite infrastructure in terms of land, semiconductor grade water, high quality power, logistics and research.

Statement 3 is incorrect - India Semiconductor Mission is a specialised and independent business division of Digital India Corporation. The mission has been set up with the objective of building a vibrant semiconductor besides displaying ecosystem in order for India to emergence as a global hub in electronics manufacturing and design. It is authorised to negotiate with applicants under semiconductor fab scheme and display fab scheme. It has also been given autonomy to decide appropriate technology mix, node generation, applications, capacity etc. The scheme was launched with the aim of attracting large investments in manufacturing AMOLED-based display panels or TFT LCD.

117. Solution: (d)

Exp) Option d is the correct answer.

MMDR Act, 1957 has been amended through the Mineral Laws (Amendment) Act, 2020 **to maintain sustained mineral production in the country**. It facilitated seamless transfer of all valid rights, approvals, clearances, licenses, **for a period of two years to a new lessee** in case of minerals other than coal, lignite, and atomic minerals.

Statement 1 is correct: Under the Mines and Minerals (Development and Regulation) Amendment Act, 2015, the companies **which do not possess any prior coal mining experience in India but are financially strong and or have mining experience in other minerals or in other countries can now participate in auction of coal/lignite blocks**. This would also allow the implementation of the **100% FDI through automatic route for sale of coal.**

Statement 2 is correct: The **Coal Mines Nationalization Act of 1973** mandated that only companies registered in India can participate in auctions. Currently also **only companies registered in India can bid for commercial coal mines** despite the cabinet giving its nod to 100% foreign direct investment under automatic route for sale of coal and mining activities.

Statement 3 is correct: Mines and Minerals (Development and Regulation) Act, 1957 empowered central to reserve any mine for the particular end-use. These were the captive mines. Now, the **2021 Amendment to Mines and Minerals (Development and Regulation) Amendment Act removed the distinction between captive and merchant mines.** Now captive coal mines will also be **able to sell their stock in the open market.** Now states will get additional revenue from the sale of minerals by captive miners.

118. Solution: (d)

Exp) Option d is the correct answer.

Renewable Purchase Obligation (RPO) is a tool to fulfill our renewable energy goals.

Statement 1 is incorrect: Renewable Purchase Obligation (RPO) mandates that all **electricity distribution licensees i.e., distribution companies should purchase or produce a minimum specified quantity** of their requirements from **Renewable Energy Sources. Although RPO requirements may apply to large scale manufacturing companies, they are not applicable to all the manufacturing industries (like MSMEs).** RPO uses RECs in cases Discoms are not able to produce renewable electivity from own. Renewable Energy Certificates (RECs) is market-based instruments to promote renewable sources of energy and the development of the market in electricity.

Statement 2 is incorrect: RPO was instituted in 2011, it is a mandate that requires large power procurers to buy a predetermined fraction of their electricity from renewable sources.

119. Solution: (a)

Exp) Option a is the correct answer

Statement 1 is incorrect: The Special Economic Zones Act was passed in 2005. The Act came into force along with the SEZ Rules in 2006. Thus, SEZs are provided the legislative backing by the SEZ Act of 2005.

Statement 2 is correct: The SEZs allows for Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units. SEZ are essentially designated duty-free enclave to be treated as a territory outside the customs territory of India for the purpose of authorized operations in the SEZ.

Statement 3 is incorrect: Units may be set up in SEZs for manufacturing goods and rendering services. In fact, many IT parks developed in India serve as SEZ.

Statement 4 is incorrect: An entity in the SEZ is given freedom for subcontracting its business operations to other entities in SEZs. Subcontracting is the practice of assigning, or outsourcing, part of the obligations and tasks under a contract to another party known as a subcontractor. Subcontracting is especially prevalent in areas where complex projects are the norm, such as construction and information technology.

120. Solution: (b)

Exp) Option b is the correct answer

"Q-commerce" (quick commerce) is a new model of e-commerce that emphasizes speed and convenience in the delivery of goods to consumers. This model aims to provide on-demand delivery of products within a very short time frame, sometimes as little as a few minutes. It usually involves the use of local micro-fulfillment centers, dark stores, or warehouses that are located in or near urban areas, enabling retailers to fulfill orders more quickly and efficiently. The Q-commerce model is gaining popularity due to the growing demand for instant gratification and convenience among consumers.

121. Solution: (a)

Exp) Option a is the correct answer.

The Mega Integrated Textile Region and Apparel (PM MITRA) Parks aims to integrate the entire textile value chain from spinning, weaving, processing/dyeing, printing to garment manufacturing at one location

Statements 1 and 2 are correct: The scheme aims to develop integrated large scale and **modern industrial infrastructure facility for entire value-chain of the textile industry.** It will reduce logistics costs and improve competitiveness of Indian Textiles. Under the scheme, the **Centre will provide development capital support** for the development of common infrastructure of Rs 500 crore for each **greenfield MITRA park** and up to Rs 200 crore for each **brownfield park.**

Statement 3 is incorrect: PM MITRA Park will be developed by a Special Purpose Vehicle which will be owned by the Central and State Government and in a Public Private Partnership (PPP) Mode. The Centre will provide development capital support for the development of common infrastructure of Rs 500 crore for each greenfield MITRA park and up to Rs 200 crore for each brownfield park **(Hence central government only provide a fixed assistance and remaining amount will be accumulated through PPP model. Therefore, the projects under the scheme are not fully funded by the central government)** The scheme will help India in attracting investments, boosting employment generation and position itself strongly in the global textile market. These parks are envisaged to be located at sites which have inherent strength for Textile Industry to flourish and have necessary linkages to succeed.

5.2. Insurance Sector

122. Solution: (c)

Exp) Option c is the correct answer.

The Deposit Insurance and Credit Guarantee Corporation (DICGC) is an Indian statutory body established under the DICGC Act of 1961. DICGC offers deposit insurance coverage to all types of bank deposits, including savings accounts, current accounts, fixed deposits, and recurring deposits.

Option 1 is correct: Deposits of foreign governments are funds placed in banks by foreign governments. The **DICGC does not insure these deposits.**

Option 2 is correct: Inter-bank Deposits are deposits made by one bank into another bank. They are usually for managing liquidity and **are not insured by the DICGC.**

Option 3 is incorrect: Recurring Deposits are a type of term deposit offered by banks in India which are used to save money with the feature of adding to the investment on a regular basis. **They are insured by the DICGC.**

Option 4 is correct: Mutual funds are investment vehicles that pool money from many investors to purchase securities. They are not deposits and hence **are not covered by DICGC insurance.**

Option 5 is correct: Central Government Deposits are funds deposited by the central government and are **not insured by the DICGC.**

123. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect. IRDAI is a statutory body established under the IRDA Act, 1999.

It is setup as an autonomous body to protect the interests of policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto.

Statement 2 is incorrect. The IRDAI operates under the Ministry of Finance and is responsible for overseeing the functioning of insurance companies, intermediaries, and other entities involved in the insurance sector.

Statement 3 is correct. It has the duty to **adjudicate disputes between insurers and intermediaries or insurance intermediaries.**

Important Tips

As per the section 4 of IRDAI Act 1999, Insurance Regulatory and Development Authority of India specify the composition of Authority. **The Authority is a ten-member team consisting of**

(a) a Chairman;

(b) five whole-time members;

(c) four part-time members.

124. Solution: (d)

Exp) Option d is the correct answer.

Bancassurance is an **arrangement where a bank and an insurance company form a partnership, allowing the insurance company to sell its products to the bank's client base.** Under Section 6(1)(o) of the Banking Regulation Act, 1949, a Government of India Notification dated August 3, 2000, specified 'Insurance' as a permissible form of business that banks could undertake.

The Reserve Bank of India (RBI) has recognized 'bancassurance', which allows banks to provide physical infrastructure within select branch premises to insurance companies for them to sell their insurance products to bank customers with sufficient transparency and disclosure and in turn earn referral fees based on the premiums collected. This would allow the banking sector's resources to be used more profitably.

125. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: IRDAI does not directly set or decide the premium rates for all insurance products. Instead, it provides a regulatory framework within which insurance companies operate. **Insurers are generally free to determine their premium rates based on actuarial principles, risk assessments, and market conditions.** However, IRDAI ensures that these rates are fair and not discriminatory.

The Insurance Regulatory and Development Authority of India (IRDAI) de-notified several insurance tariffs effective April 1, 2024. This means that insurers can now decide how much to charge for insurance and what covers to offer.

Statement 2 is incorrect: The **Government of India sets foreign direct investment (FDI) limits in the insurance sector.** For instance, **the FDI limit was increased from 49% to 74% in 2021 and in the recent Budget 2025-26, it was increased to 100%.**

IRDAI's role is to ensure compliance with these government-set limits, but it does not independently regulate or determine them

126. Solution: (c)

Exp) Option c is the correct answer.

"Insurance Density" is a metric used to gauge the level of insurance penetration within a population. It's calculated as the **ratio of total insurance premiums** (both life and non-life) **underwritten in a given year** to **total population of the region.**

$$\text{Insurance Density} = \frac{\text{Total Insurance Premiums}}{\text{Total Population}}$$

- It represents the **average premium per person in a country**, indicating how much, on average, each individual is spending on insurance.
- A higher insurance density suggests a well-developed insurance market with higher penetration, while a lower density may indicate limited access to or awareness of insurance products.
- At the end of the **financial year 2023-24, India's insurance density**—stood at **$95**, an increase from $92 in the previous year. This figure remains significantly below the **global average insurance density of $889.**

Important Tips

Insurance Penetration: It refers to the ratio of total insurance premiums (life and non-life) underwritten in a particular year to the Gross Domestic Product (GDP) of a country. It is expressed as a percentage and indicates the level of insurance adoption within the economy.

$$\text{Insurance Penetration} = \left(\frac{\text{Total Insurance Premiums}}{\text{GDP}}\right) \times 100$$

127. Solution: (c)

Exp) Option c is the correct answer.

All State, Central and **Primary cooperative banks,** also called urban cooperative banks **are covered under the Deposit insurance by DICGC. The DICGC insures principal and interest up to a maximum amount of ₹ five lakhs.**

For example, if an individual had an account with a principal amount of 4,95,000 plus accrued interest of 4,000, the total amount insured by the DICGC would be 4,99,000. If, however, the principal amount in that account was Rs.5,10,000, and the accrued interest of Rs.4000, then also only Rs.5,00,000 will be insured as the rest of the amount over the insurance limit.

128. Solution: (b)

Exp) Option b is the correct answer.

Insurance is an agreement between the indemnifier and the indemnified, where the indemnifier agrees to bear the risk of the indemnified as per the contract's terms, in exchange for a consideration known as the premium. In the context of motor vehicle insurance, the term "third party" refers to the risk of damage to the life or property of any individual other than the parties involved in the insurance contract.

Statement 1 is incorrect: In India, third-party insurance **is mandatory for all motor vehicles plying on Indian roads under the Motor Vehicles Act, 1988 to protect innocent victims of road accidents.**

In the case of a vehicle carrying, or meant to carry, **dangerous or hazardous goods, there shall also be a policy of insurance under the Public Liability Insurance Act, 1991.**

Statement 2 is correct: Third-party insurance does not cover the vehicle owner's damage or life. Its **purpose is to compensate third parties,** such as individuals or property damaged in an accident, when the vehicle owner or driver lacks the financial means to do so. It also aims to protect innocent victims, including pedestrians, who may be injured in road accidents.

129. Solution: (b)

Exp) Option b is the correct answer.

The **National Pension System (NPS)** was introduced by the Central Government to replace the Old Pension Scheme (OPS) in 2004. NPS is **a market-linked defined contribution scheme** to help individuals have an income in the form of a pension to take care of their retirement needs. The scheme is voluntary, portable and flexible. The Pension Fund Regulatory and Development Authority (PFRDA) regulates and administers NPS under the PFRDA Act, 2013.

Statement 1 is incorrect: National Pension System is **mandatory for Central Government** recruits (except armed forces) who joined service on or after January 1, 2004, it is **not mandatory for all state government employees.**

Note: Though many State Governments have adopted NPS architecture and implemented NPS mandatorily through Gazette Notifications for their employees joining from the specified dates, mentioned in their respective notifications.

Statement 2 is incorrect: While NPS offers flexibility in contributions, it mandates a minimum contribution of ₹500 per transaction and ₹1,000 annually for Tier I accounts to keep the account active. Although there is no upper limit on contributions, the presence of these minimum requirements makes the claim of "no minimum limit" inaccurate.

Statement 3 is correct: Yes, an NRI between the age of 18 – 70 years, as on the date of submission of his/her application and complying with the extant KYC norms, **can open an NPS account.**

Statement 4 is incorrect: At present, **an NPS subscriber cannot withdraw the entire accumulated corpus on maturity.** One must invest a maximum of 40% of the total NPS corpus to buy an annuity plan from a life insurance company. This annuity amount will provide a regular pension after retirement. The **remaining 60% can be withdrawn as a lumpsum.**

130. Solution: (c)

Exp) Option c is the correct answer.

Option c is correct: The correct chronological sequence of the above mentioned events are as follows: Nationalisation of life insurance in India (1956) – Formation of General Insurance Corporation (1972) – Opening of the insurance business for the private sector (1999) – Establishment of the Insurance Regulatory and Development Authority of India (2000).

Nationalization of Life Insurance in India (1956): The Government of India nationalized the life insurance sector in 1956, creating the Life Insurance Corporation of India (LIC), a fully government-owned entity. This step aimed to expand life insurance coverage, enhance social security, and channelize public savings (in the form of premiums) into nation-building initiatives.

Formation of the General Insurance Corporation (GIC) of India (1972): In 1971, the Indian government took over private sector companies in the general insurance segment. This led to the establishment of the General Insurance Corporation of India (GIC) in 1972, a government-owned entity responsible for overseeing the general insurance business in India.

Opening of the Insurance Sector to the Private Sector (1999): As part of economic reforms, the government set up the Insurance Reforms Committee (IRC) in 1993, chaired by former RBI Governor R. N. Malhotra. In its 1994 report, the IRC recommended opening up the insurance sector to both Indian and foreign private players. The government accepted this recommendation, passing the Insurance Regulatory and Development Authority (IRDA) Act in 1999, which allowed the entry of private insurers.

Incorporation of the Insurance Regulatory and Development Authority of India (IRDAI) (2000): The Insurance Regulatory and Development Authority (IRDAI) was established in 2000 to regulate, supervise, and develop the insurance industry in India. The IRDAI is tasked with ensuring that the insurance sector operates in a fair and transparent manner, protecting the interests of policyholders.

131. Solution: (d)

Exp) Option d is the correct answer.

The insurance sector plays a vital role in providing protection against unforeseen risks and adverse events. To measure the development of the insurance industry in a country, insurance penetration and insurance density are key indicators. These metrics help determine the level of insurance coverage and the industry's growth relative to the country's population and economy.

Statement 1 is incorrect: Insurance penetration is measured as the percentage of insurance premium to GDP. Insurance penetration increased from 3.9 per cent in 2013-14 to 4 per cent in 2022-23 in India.

Statement 2 is incorrect: Insurance density is calculated as the ratio of premium to population (per capita premium). Insurance density rose from USD 52 in 2013-14 to USD 92 in 2022-23 in India.

132. Solution: (c)

Exp) Option c is the correct answer.

Insurance Regulatory and Development Authority of India (IRDAI), is a statutory body formed under an Act of Parliament, i.e., Insurance Regulatory and Development Authority Act, 1999 (IRDA Act, 1999) for overall supervision and development of the Insurance sector in India. It has several functions and responsibilities.

Option 1 is correct: IRDAI role **includes registration and regulation of insurance companies** functioning in India. It ensures that only licensed companies can operate in the insurance market.

Option 2 is correct: IRDAI **is responsible for licensing various intermediaries**, including agents, brokers, and other entities involved in the insurance sector.

Option 3 is incorrect: IRDAI **does not directly set the premium rates** for life insurance, instead allowing insurance companies to determine rates based on factors like age, health, and risk profile, while still overseeing their reasonableness and ensuring fair practices for policyholders.

Option 4 is correct: IRDAI has **mandated life and general insurers to extend cover to certain identified Gram Panchayats** in rural areas to bring the insurance down to the grassroots level.

133. Solution: (c)

Exp) Option c is the correct answer.

All Options are correct: The Insurance Regulatory and Development Authority of India (IRDAI) has developed a methodology for identification and supervision of D-SIIs. The parameters under the identification process are as follows:

- The size of operations in terms of total revenue, including premium underwritten and the value of assets under management.
- Global activities across more than one jurisdiction.
- Lack of substitutability of their products and/or operations.
- Interconnectedness through counterparty exposure and macro-economic exposure.

D-SIIs are perceived as insurers that are 'too big or too important to fail' (TBTF). Therefore, they are subject to enhanced regulatory supervision. Further, D-SIIs are required to: Raise the level of corporate governance. Identify all relevant risks and promote a sound risk management culture.

134. Solution: (c)

Exp) Option c is the correct answer

Employees' state Insurance Corporation of India (ESIC) provides socio-economic protection to the worker population and immediate dependent or family covered under the Employees' State Insurance (ESI) scheme.

Statement 1 is correct: The Supreme Court has held that the definition of employee provided by the ESI **Act** covers **casual employees employed for a few days** on a work of perennial nature and **they cannot be deprived of the beneficial provisions of the Act.** Further the ESIC has extended the benefits of the ESI Scheme to the workers deployed on the construction sites.

Statement 2 is incorrect: The ESI Scheme is **financed by contributions from employers and employees.** The rate of contribution under the ESI Act 4% (employers' contribution 3.25% and employees' contribution 0.75%). However, **employees, earning less than Rs. 137/- a day as daily wages, are exempted from payment of their share of contribution.** Thus, all employees must pay to avail benefits under ESI scheme is not true.

Statement 3 is correct: ESI scheme to promote acceptance of **sterilization method,** provides sickness **cash benefit equal to full wage for a period of 7 days for vasectomy** and 14 days for **tubectomy. Tubectomy and Vasectomy** is a permanent method of contraception for women and men respectively. Hence the scheme provides **cash benefits equal to 14 days for female employees and 7 days for male employees.**

135. Solution: (d)

Exp) Option d is the correct answer

Insurance Companies in India are recognised by the Insurance Regulatory and Development Authority of India, the statutory body under the jurisdiction of the Ministry of Finance. It is tasked with regulating and licensing the insurance and reinsurance industries in India.

Statement 1 is incorrect: Recently the Government of India increased the foreign direct investment **(FDI) limit in the insurance sector to 74% from 49%,** so **100% FDI so far is not allowed in India.**

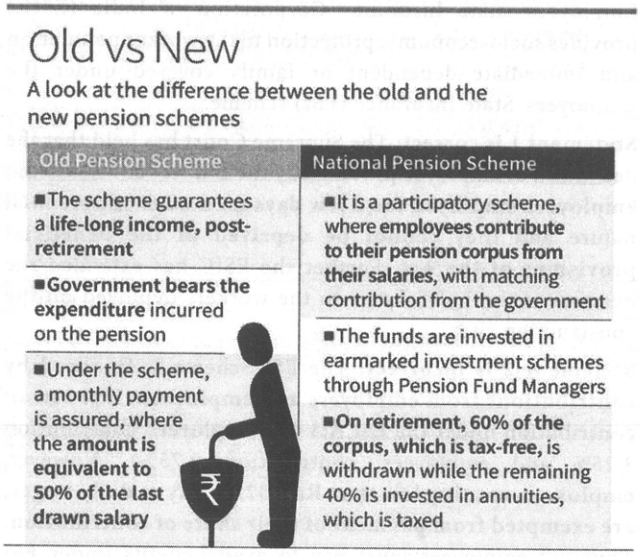
Statement 2 is incorrect: The increase in the foreign direct investment (FDI) limit in the insurance sector comes with safeguards such as **majority (at least 50%) directors on the Board** in **health and general insurance companies** would be **resident Indians.** Further at least 50% of directors will be independent directors.

136. Solution: (d)

Exp) Option d is the correct answer

The Central Government had introduced the **National Pension System (NPS)** replacing the Old Pension scheme with effect from January 1, 2004 (except for armed forces). Recently Punjab is considering moving back to Old Pension scheme and some States such as Rajasthan, Chhattisgarh and Jharkhand have already implemented the old pension scheme.

Option a is correct: Employees' contribution is not mandatory under Old Pension Scheme (OPS) (but **mandatory under NPS**) to avail pension benefits. Under the **OPS**, employees get a pension post-retirement which is equivalent to **50% of the last drawn salary.** In contrast **employee's contribution is mandatory under New Pension Scheme (NPS).** In NPS **employees contribute to their pension corpus from their salaries with matching contribution from the employer.**



Option b is correct: It is true that **a ten-year service requirement is necessary to avail benefits under OPS,** but it is **not necessary** to avail benefits under **NPS.** All citizens of India 18 – 60 years of age are eligible under NPS, and **10-year service requirement is not mandatory.**

Option c is correct: It is true that **Private employees cannot become beneficiaries** under the Old Pension Scheme (**OPS**). But **under NPS the employees of the private entity,** having Indian Citizenship between the age of **18-60 years** are eligible to be registered as subscribers.

Option d is incorrect: The provident fund facility is available both under NPS & OPS. Under the **OPS,** there was the provision of the **General Provident Fund (GPF).** GPF is available for all the government employees in India, and it allows all the government employees to contribute a certain percentage of their salary to the GPF. The total amount that is accumulated throughout the employment term is paid to the employee at the time of retirement.

In NPS employees and employers contribute a certain percentage of employees' salary to the provident fund and beneficiaries after retirement can withdraw a part of the pension amount in a lump sum and use the rest to buy an annuity for a regular income.

ECONOMIC & SOCIAL DEVELOPMENT

EXTERNAL SECTOR AND INTERNATIONAL INSTITUTIONS

6.1. External Sector

1. Which of the following statements most appropriately describes the 'above the line' items in Balance of Payments (BoP)?

(a) International economic transactions that are made independently of the state of the Balance of Payments.
(b) Financial transactions of value above 1 Billion US Dollars.
(c) Transactions made to cover or balance any deficit in the Balance of Payments.
(d) Transactions where money is provided to an individual without receiving any goods or services in return.

2. Foreign Currency Assets constitute an important part of India's foreign exchange reserves. In this context consider the following:

1. SDR holdings of RBI which is included under SDR
2. Investment in bonds by RBI issued by IIFC (UK)
3. Investment by RBI in foreign government securities with maturity up to 10 years
4. Deposits of RBI with Bank for International Settlement

Which of the above are part of Foreign Currency Assets?

(a) 1, 2 and 3 only
(b) 3 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

3. In the context of international trade, the term 'Terms of Trade' refers to the:

(a) ratio between the index of export prices and the index of import prices of a country.
(b) conditions on which two countries agree to trade with each other.
(c) common conditions on which all countries of a regional trade agreement agree to for trade.
(d) restrictions that a country imposes on its exporters in order to ensure a positive current account.

4. Consider the following mechanisms:

1. Quotas
2. Trade Embargo
3. Import Duties
4. Licenses
5. Ad Valorem Duties

How many of the above are examples of tariff barriers that are often imposed by a country?

(a) Only two
(b) Only three
(c) Only four
(d) All five

5. Consider the following statements with reference to the Foreign Exchange Reserves of India:

1. Higher investments by foreign portfolio investors in India necessarily leads to reduction in forex reserves.
2. Forex reserves help in managing the volatility in currency exchange rates.
3. Sometimes RBI may sell dollars in the market if the rupee weakens.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

6. In the context of the Indian economy, consider the following statements:

Statement-I: Indian rupee was made convertible on the capital account in 1994.

Statement-II: Post 1991 crisis, full convertibility of rupee on trade account in three to five years was part of the structural reform announced by the Indian government.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct, and Statement-II explains Statement-I.
(b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I.
(c) Statement-I is correct, but Statement-II is incorrect.
(d) Statement-I is incorrect, but Statement-II is correct.

7. Consider the following statements regarding Balance of Payments (BoPs) Accounts in India:

1. Export of goods and services forms the part of Current Account transactions.
2. External assistance in the form of inter-governmental loans is a part of Capital Account transactions.
3. Transactions which are made to cover deficits in BoPs are called Autonomous transactions.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

8. With reference to External Commercial Borrowings (ECB) in the context of Indian economy, consider the following statements:

1. It cannot be utilized for investments in the capital market.
2. Non-governmental organizations (NGOs) involved in microfinance activities are eligible to avail ECBs.
3. It can be raised in Indian Rupee.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

9. Consider the following statements regarding the Export-Import (EXIM) Bank:

1. It has been set up under an act of Parliament.
2. Export Credit Guarantee Corporation of India Limited (ECGC) is a wholly owned subsidiary of the EXIM Bank.
3. It has established 'Ubharte Sitaare Fund' for equity investments in Export-Oriented Units (EOUs).

Which of the statements given above is/ are correct?

(a) 1 only
(b) 3 only
(c) 1 and 3 only
(d) 2 and 3 only

10. Consider the following statements about Codex Alimentarius, a term recently seen in the news:

1. Codex Alimentarius is a collection of internationally adopted food standards.
2. The Codex Alimentarius Commission was set up jointly by the WHO and UN Food and Agriculture Organisation (FAO).
3. India is one of the members of Codex Alimentarius Commission.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

11. With reference to present situation of India's External debt, consider the following statements:

1. Of the total external debt of India, the share of short-term debt is larger than that of long-term debt.
2. The majority part of India's external debt is denominated in US dollar, followed by Indian rupees.
3. External debt owed by the Central as well as State Governments is less than the external debt owed by non-sovereign entities.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) 1 and 3 only

12. As per the existing classification of Balance of Payments (BoP) accounts, transactions in which of the following item(s) is/are categorized under the head 'capital account' of Balance of Payments (BoP)?

1. Sale of Trademarks
2. Sale of Mineral rights
3. Goods acquired under a financial lease
4. Sale of Non-customized packaged software

Choose the correct answer from the codes given below:

(a) 2 only
(b) 1, 3 and 4 only
(c) 1 and 2 only
(d) 1, 2 and 3 only

13. In which of the following instruments are the Foreign Portfolio Investors (FPIs) in India allowed to invest?

1. Treasury Bills (T-Bills)
2. Dated Government Securities
3. Commercial Papers issued by Indian companies
4. Indian depository receipts
5. Real estate investment trusts

Select the correct answer using the code given below:

(a) 1, 2 and 3 only
(b) 1, 2, and 4 only
(c) 2, 3, 4 and 5 only
(d) 1, 2, 3, 4 and 5

14. Friendshoring refers to which of the following trade practices?

(a) It is the rerouting of supply chains to countries perceived as politically and economically safe or low-risk to avoid disruption to the flow of business.
(b) It is bringing the production and manufacturing back to the home country to decrease dependence on foreign suppliers and boost domestic industries.
(c) It is the process of a company relocating business operations to a nearby country, often with a shared border.
(d) Relocating business operations to another country primarily to benefit from lower labor costs and operational expenses.

15. An Indian resident travels to the USA for a week and sends ₹1 lakh from his/her account to his/her family in India. How is this transaction recorded in India's Balance of Payments (BoP)?

(a) Current Account
(b) Capital Account
(c) Financial Account
(d) Not included in BoP

16. With reference to the Real Effective Exchange Rate (REER) used in India, consider the following statements:

1. An increasing REER indicates a loss in trade competitiveness.
2. It measures the exchange rate of the Indian Rupee with currencies of all the trading countries.
3. 2015-16 is the base year for the calculation of REER.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 3 only
(d) 2 and 3 only

17. In which of the following conditions does the outflow of capital from a country is most likely to occur?

(a) Devaluation of the domestic currency
(b) Decrease in tax rates in the domestic country
(c) Decrease in the interest rates in foreign nations
(d) Recent national elections giving a clear majority to a party.

18. Consider the following statements about the Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER):

1. An increase in Nominal Effective Exchange Rate (NEER) indicates strengthening of the domestic currency.
2. An increase in the Real Effective Exchange Rate (REER) makes imports cheaper for domestic consumers.
3. When a country's trade balance is stable, NEER and REER are more likely to converge.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 1, 2 and 3
(d) 2 and 3 only

19. With reference to the forex swap done by RBI, consider the following statements:

1. It is aimed at improving domestic liquidity.
2. Under this, banks shall sell U.S. dollars to the RBI and agree to buy the same amount back in Indian Rupees at the end of the swap period.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

20. In the context of international finance and currency exchange, which of the following statements best describes the concept of 'Soft currency'?

A currency that is:

(a) easily convertible into other currencies on the foreign exchange market.
(b) widely accepted or traded in international markets.
(c) subject to frequent fluctuations in value due to economic instability.
(d) used as a reserve currency by central banks worldwide.

21. In the context of Balance of Payment (BoP) Accounts, which of the following transactions are considered as 'transfers'?

1. Grants by international organizations which increase income and consumption in the recipient country.
2. Grants by international organizations linked to the acquisition of fixed assets in the recipient country.
3. Remittances sent by workers residing abroad to their families in the native country.

Choose the correct answer from the codes given below:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

22. Consider the following statements regarding the Current Account Convertibility:

1. The International Monetary Fund (IMF) specifically puts obligations on member countries to avoid restrictions on current account transactions.
2. Full current account convertibility has been implemented in India only after the recommendations of the Tarapore Committee.

Which of the statements given above is/ are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

23. Consider the following statements regarding the External Commercial Borrowings (ECB):

1. An ECB can be denominated in both foreign currency as well as Indian National Rupee (INR).
2. Raising ECBs for working capital purposes by an entity is completely prohibited in India.
3. Proceeds from ECB can be utilized for investment in capital markets.

Which of the statements given above is/ are correct?

(a) 1 only
(b) 3 only
(c) 1 and 3 only
(d) 2 and 3 only

24. Which of the following factors may lead to the depreciation of the rupee in the global currency market?

1. Reduction in market Interest rates
2. Rising inflation in India
3. Declining Economic growth in India
4. Negetive Balance of Payment of India

Select the correct answer using the code given below:

(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 2, 3 and 4
(d) 1, 3 and 4 only

25. With reference to Foreign Portfolio Investment (FPI) and Foreign Direct Investment (FDI) in India, consider the following statements:

1. FPI is prohibited in any unlisted nonconvertible debentures issued by an Indian company.
2. Unlike FDI, FPI requires prior approval of Reserve Bank of India for any investment in India.
3. Both FDI and FPI investments are counted under capital account of Government of India.

Which of the statements given above is/ are correct?

(a) 1 only
(b) 3 only
(c) 1 and 3 only
(d) 2 and 3 only

26. With respect to External Commercial Borrowings (ECB), consider the following entities:

1. SIDBI
2. Port Trusts
3. Units in SEZ
4. EXIM Bank of India

How many of the given entities in India are eligible to raise External Commercial Borrowings (ECB)?

(a) Only one
(b) Only two
(c) Only three
(d) All four

27. With reference to trade barriers in International Trade, consider the following:

1. Quota System.
2. Labelling and Testing Standards.
3. Anti-dumping duty.
4. Local content requirement.

How many of the above can be considered as non-tariff Barrier?

(a) Only one
(b) Only two
(c) Only three
(d) All four

28. With reference to Remission of Duties or Taxes on Exported Products (RoDTEP) scheme, consider the following statements:

1. Its objective is to neutralize taxes and duties levied on exported goods which are otherwise not refunded in any manner.
2. Re-exported products are not eligible under this scheme.
3. Products exported from SEZ units are ineligible for claiming benefits under the scheme.

Which of the statements given above is/ are correct?

(a) 1 and 2 only
(b) 3 only
(c) 1 and 3 only
(d) 2 and 3 only

29. Consider the following statements:

Statement I: India has a positive Net International Investment Position.

Statement II: The assets owned by Indians outside India is less than assets owned by foreigners in India.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct and Statement II is the correct explanation for Statement I.
(b) Both Statement I and Statement II are correct but Statement II is not the correct explanation for Statement I.
(c) Statement I is correct but Statement II is incorrect.
(d) Statement I is incorrect but Statement II is correct.

30. Which one of the following best describes the concept of 'Sterilization' conducted by RBI?

(a) A process of printing more currency notes to increase the supply of money in the economy.
(b) An action that aims to neutralize the impact of foreign exchange interventions on the domestic money supply.
(c) A method for controlling inflation by raising interest rates.
(d) A program to encourage foreign direct investments in India.

31. Which one of the following best describes the concept of 'Reverse currency war'?

(a) An effort by the government of a country to weaken their currency, to boost exports.
(b) A situation where a central bank raises interest rates to attract foreign capital and strengthen its domestic currency.
(c) When a country incurs losses due to adverse exchange rate movements by a transaction in a foreign currency.
(d) A policy implemented by developing countries to attract foreign investment through tax breaks.

32. Consider the following statements:

Statement-I: Companies can borrow any amount through External Commercial Borrowings (ECBs) without getting approval from RBI.

Statement-II: India follows full current account convertibility.

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

33. With respect to fed tapering, consider the following statements:

1. Increased gold prices in India.
2. Increased foreign investment in India.
3. Depreciation of the Indian rupee.
4. Imported inflation.

How many of the above are the possible impacts of fed tapering (USA) on the Indian economy?

(a) Only one
(b) Only two
(c) Only three
(d) All four

34. Consider the following statements, with reference to General Anti-Avoidance Rules (GAAR) in India:

1. Its provisions are aimed at curbing aggressive tax planning based on legal loopholes.
2. The implementation of GAAR is done retrospectively.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

35. With reference to Indo-Pacific Economic Framework for prosperity (IPEF), consider the following statements:

1. It is a United States led economic grouping for promoting trade in Indo-pacific region.
2. It aims to establish Free Trade Agreement (FTA) in the Indo-Pacific region.
3. It helps member nations to fight against corruption, money laundering and terror financing.
4. India is not a signatory of IPEF.

Which of the statements given above are correct?

(a) 1, 2, 3 and 4
(b) 1 and 3 only
(c) 1, 2 and 3 only
(d) 2, 3 and 4 only

36. Which of the following are the essential characteristics of "Reserve Currency'?

(a) A currency whose value remains stable due to active government intervention.
(b) A currency held in reserve by central banks and not extensively circulated in the market.
(c) A currency known for its high liquidity and widespread acceptance among nations and market participants.
(d) A currency issued by the country with high economic growth.

37. With reference to Global Depository Receipts (GDR), consider the following statements:

1. It is a financial instrument that can be issued by a foreign depository bank, on behalf of an Indian company, to raise capital from the international investors.
2. Indian companies can only get their shares listed on foreign exchanges through Global Depository Receipts (GDR).
3. It is treated as Foreign Direct Investment (FDI) in India.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 3 only
(d) 2 and 3 only

38. Which one of the following best describes the concept of 'Vostro account'?

(a) It is a bank account held by a domestic bank for a foreign bank, denominated in the former's domestic currency.
(b) It is a bank account held by a foreign bank for a domestic bank, denominated in the former's domestic currency.
(c) It is a bank account held by a domestic bank for a foreign bank, denominated in the latter's domestic currency.
(d) It is a bank account held by a foreign bank for a domestic bank, denominated in the latter's domestic currency.

39. With reference to the 'Local Currency Settlement System' recently signed by India with various countries, consider the following:

1. It reduces the dependency on the dollar.
2. It optimizes the transaction cost of payments.
3. It helps in discovering competitive pricing for exporters.
4. It would help in reducing India's current account deficit

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 1, 2 and 3 only
(c) 2, 3 and 4 only
(d) 1, 2, 3 and 4

40. With reference to Export Credit Guarantee Corporation, consider the following statements:

1. It is an export promotion organization wholly owned by the Government of India.
2. It provides credit insurance against the non-realisation of export proceeds due to commercial risks only.

3. It provides 100% insurance coverage for the loss incurred by Indian exporters.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 3 only
(c) 3 only
(d) 2 and 3 only

41. In context of Partnership for Global Infrastructure Investment (PGII), consider the following statements:

1. It is an initiative of the World Bank.
2. It promotes private sector investment in developing counties for sustainable development of infrastructure projects.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

42. With reference to types of services, consider the following:

1. Software development
2. Education
3. Health care
4. Construction

How many of the above are non-tradable services?

(a) Only one
(b) Only two
(c) Only three
(d) All four

43. Forex reserves represent assets held by a country's central bank or monetary authority, in context of this consider the following:

1. Foreign currency assets
2. Reserve tranche position in International Monetary Fund (IMF).
3. Special Drawing Rights (SDR)
4. Gold holdings of RBI
5. Loans from Multilateral financial institutions

How many of the above form components of forex reserves of Reserve Bank of India (RBI)?

(a) Only two
(b) Only three
(c) Only four
(d) All five

44. Consider the following pairs:

Terms	Definitions
1. Balance of Payments	Exchanging dollars with Indian Rupees to suck excess liquidity in the market.
2. Inflation	Rates at which prices of goods and services are rising over time.
3. Devaluation of Rupees	Deliberate downward adjustment of the value of an Indian Rupee relative to another currency.
4. Depreciation of Rupees	Decline in the value of a currency relative to another currency or standard due to market forces.

How many of the above pairs are correctly matched?

(a) Only one
(b) Only two
(c) Only three
(d) All four

45. Consider the following statements:

Statement-I: India has never experienced a Current Account surplus in its balance of payments since 2020-21.

Statement-II: India consistently had a merchandise trade deficit in the last five years.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

46. With reference to the external debt in India, consider the following statements:

1. It refers to the borrowings made by India only in non-rupee denominated currency.
2. Ministry of Finance manages external debt of the central government.

3. In India the external debt owed by sovereign entities is greater than that of non-sovereign entities.

Which of the statements given above is/are correct?
(a) 2 only
(b) 1 and 3 only
(c) 3 only
(d) 2 and 3 only

47. In the context of global economic policies, which of the following best describes the main objective of the Washington Consensus?
(a) To provide a set of economic policy recommendations for developing countries to foster their economic growth through global integration.
(b) To promote free trade agreements exclusively within Western Hemisphere countries, especially in North America.
(c) To establish a global minimum corporate tax rate to avoid tax evasion and improve public revenue.
(d) To encourage developed countries to allocate a fixed percentage of their Gross Domestic Product to aid developing countries.

48. Consider the following statements regarding the Liberalised Remittance Scheme (LRS):
1. Only individual resident Indians are allowed to remit funds under LRS.
2. The LRS allows individuals to remit funds for international travel and medical treatment.

Which of the statements given above are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

49. Which of the following steps are likely to be taken by the Central Bank/Government of India in order to address the depreciation of the Indian rupee?
1. Increasing policy rates to attract foreign investments.
2. Promoting exports through incentives and subsidies.
3. Printing more rupees.

Select the correct answer using the code given below:
(a) 1 and 2
(b) 2 only
(c) 1 and 3
(d) 3 only

50. Consider the following:
1. Rise in the general prices of goods and services
2. Increase in the cost of production of goods.
3. Increase in the Inflow of foreign capital.

Which of the given above is/are possible impacts of weakening of the Indian Rupee in the economy?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 only
(d) 1, 2 and 3

51. In the context of Foreign Currency Convertible Bonds (FCCBs), consider the following statements:

Statement I: These are not included in India's external debt.

Statement II: Upon conversion into equity shares, they can be classified as Foreign Direct Investment (FDI) in India.

Which one of the following is correct in respect of the above statements?
(a) Both Statement I and Statement II are correct and Statement II explains Statement I.
(b) Both Statement I and Statement II are correct, but Statement II does not explain Statement I.
(c) Statement I is correct, but Statement II is incorrect.
(d) Statement I is incorrect, but Statement II is correct.

52. Which of the following is best associated with the 'Internationalization of the Indian Rupee (INR)'?
(a) The Indian rupee is used to make payments and buy things in foreign countries.
(b) The drastic decrease in the current and capital account deficit of the country.
(c) The Indian rupee is used for international trade and cross-border payments.
(d) Large scale increase in foreign investment in the country.

53. Consider the following:
1. US Dollar
2. Special Drawing Rights (SDR)
3. Euro
4. Indian Rupee

As per the Economic Survey 2024-25,which of the following correctly represent the descending order arrangement of currency in

which the external debt of India is primarily denominated?

(a) 1 – 2 – 3 – 4
(b) 2 – 1 – 3 - 4
(c) 1 – 4 – 2 – 3
(d) 3 – 4 – 1 – 2

54. In the context of international trade, what does the term "Currency War" refer to?

(a) A situation where countries impose trade sanctions on each other.
(b) A competition among nations to increase foreign exchange reserves.
(c) A scenario where countries deliberately devalue their currency to gain a trade advantage.
(d) A scenario where countries entering into bilateral agreements start trading in domestic currencies rather than global currency.

55. With reference to Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI), consider the following statements:

1. FDI is generally done as an investment in financial assets, whereas FPI involves investment in productive assets.
2. In the Financial year 2024, the net FDI inflow in India was twice that of the net FPI inflow.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

56. Which among the following is considered as leakage to the circular flow of income?

(a) Exports
(b) Imports
(c) Inventories
(d) All the above

57. Which of the following policy actions can be considered as a move towards 'Capital Account Convertibility' in India's Balance of Payment system?

1. Increasing the foreign portfolio investment limits in the Indian debt markets.
2. Easing of the external commercial borrowing framework.
3. Liberalized Foreign Direct Investment.
4. Limiting NRI's investment in G-sec.

Select the correct answer using the codes given below:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 2, and 3 only
(d) 1, 2, 3 and 4

58. With reference to Global Economy, which one of the following statements most appropriately describes the term "International Investment Position", often seen in news?

(a) It includes the net investments of a country's private sector in the foreign markets of the world.
(b) It reflects a country's external financial assets and liabilities at a specific point in time.
(c) It is the position at a point in time the value of the financial assets held by the Central Bank of a country into foreign land.
(d) It is the net reserve of a country's position held in the International Monetary Fund.

59. With reference to international trade, consider the following statements:

1. Tariffs are a type of trade barrier that can have the effect of raising the relative prices of imported products.
2. The World Trade Organization agreements strictly prohibit the imposition of trade barriers.
3. 'Quotas' are mainly aimed at generating extra revenue for the government.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) None of the above

60. Consider the following statements regarding the Foreign Direct Investment (FDI) in India:

1. FDI under automatic route requires no prior approval from any government authority.
2. The Union Ministry of Finance is responsible for formulating FDI policies and regulations in India.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

61. "It is a derivative instrument used by foreign companies to raise money in India. They are issued by domestic depository in India and are denominated in Indian Rupees. Just like equity share, they provide ownership in the company."

The above paragraph best describes which of the following financial instruments?

(a) Global Depository Receipts
(b) Participatory Notes
(c) Indian Depository Receipts
(d) Convertible Debentures

62. Consider the following:

1. Devaluation of Rupee
2. Following Dear Monetary policy
3. Implementing a contractionary Fiscal policy
4. Borrowing from international organizations

How many of the above measures can be taken by the Government of India/Reserve Bank of India to overcome a Balance of Payment (BOP) crisis?

(a) Only one
(b) Only two
(c) Only three
(d) All four

63. Consider the following scenario:

1. A person in the United Arab Emirates sending remittances to India.
2. A person importing Lamborghini Urus in India.
3. An Indian citizen residing in India receiving rent from a land in London.
4. An Indian citizen residing in India receiving dividend from the stock of a company in foreign country.

How many of the above scenarios can be categorized as Trade in Services?

(a) Only one
(b) Only two
(c) Only three
(d) All four

64. With reference to the Balance of Payments, the term 'invisibles' refers to?

(a) It is an international transaction that includes an exchange of non-tangible goods.
(b) They are one-sided economic transactions between a resident entity and a non-resident entity.
(c) It is the difference between a nation's gross national product and gross domestic product.
(d) It is a two-way transaction where money is usually recovered through disposal of the assets.

65. In the context of international economic transactions, consider the following statements with reference to the Autonomous and Accommodating Transactions:

1. Autonomous transactions are international economic transactions made independently of the state of the Balance of Payments.
2. Accommodating transactions are the transactions made to cover the deficit occurred due to the autonomous transactions.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

66. In the context of the 'Balance of Payments Manual for India' published by Reserve Bank of India, consider the following statements regarding the Financial Account:

1. It records transactions relating to financial assets and liabilities that take place between residents and non-residents in a specific period.
2. It reflects the sources from which the current account deficit (CAD) has been financed.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

67. Which of the following statements is incorrect regarding the Purchasing Power Parity (PPP)?

(a) PPP Exchange rates imply that the identical goods in two different countries should have the same price when expressed in a common currency.
(b) Both traded and non-traded goods are included while computing the PPP.
(c) PPP helps to assess the economic convergence in terms of living standard between different economies.
(d) A higher inflation in one country than the other may cause a change in the PPP Exchange Rates.

68. Consider the following statements:

Forex reserves of a country-

1. help the government in paying its external debt obligations.
2. assist the Central bank in earning interest on its holdings.
3. provide a cushion to protect against a Balance of Payment crisis.
4. help the Central bank in managing exchange rates within limits.

Which of the above statements are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

69. With reference to the managed floating exchange rate regime, consider the following statements:

Statement I: In this regime, the official reserve transactions are not equal to zero.

Statement II: In this regime, the central banks buy and sell forex reserves to control exchange rates within certain limits.

Which one of the following is correct in respect of the statements given above?

(a) Both statement -I and statement -II are correct and statement -II is the correct explanation for statement -I.
(b) Both statement -I and statement -II are correct but statement -II is not the correct explanation for statement -I.
(c) Statement -I is correct but statement -II is incorrect.
(d) Statement -I is incorrect and statement -II is correct.

70. The visit by foreigners to witness the 2026 T20 Cricket Word cup in India would be amounted to:

(a) Exports
(b) Imports
(c) Production
(d) Consumption

71. Which of the following are the features of Special Economic Zones (SEZs) in India?

1. They are deemed as foreign territory for the purposes of trade operations in India.
2. SEZ units receive 100% income tax exemption on export income for the first five years of the establishment.
3. Hundred Percent Foreign Direct Investment (FDI) is allowed through the automatic route in all the sectors in SEZs.
4. A unit located in a SEZ requires an import license for importing goods from any entity.

Select the correct answer using the codes given below:

(a) 1 and 2 only
(b) 2 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

72. In the context of Balance of Payment (BoP) of India, consider the following:

1. Services provided by a software engineer of India to a company located outside India.
2. Loans raised by the central government from abroad.
3. Remittances sent by people working abroad to their families in India.
4. Foreign Direct Investment (FDI) made by a foreign investor into a company in India.

How many of the above constitute a part of the Current Account of the Balance of Payment (BoP) of India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

73. Consider the following sectors in India:

1. Lottery business
2. Nuclear equipment manufacturing
3. White Label ATM operations
4. Manufacturing of cigarettes

In how many of the above sectors is Foreign Direct Investment prohibited in India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

74. Foreign direct Investment (FDI) inflows in India can be categorized into physical FDI and digital FDI. In this context, consider the following:

1. Information and Broadcasting
2. Automobiles
3. Pharmaceuticals
4. Telecommunication

Foreign Investment in how many of the above sectors can be categorized as digital FDI?

(a) Only one
(b) Only two
(c) Only three
(d) All four

75. Which one of the following statements best describes the 'Global Capability Centres'?

(a) Offshore units set up by Multinational Corporations (MNCs) to handle various business processes and services in countries like India.
(b) Export oriented manufacturing units set up in the National Investment Manufacturing Zones.
(c) Institutions set up by the World Bank to promote human capacity development in developing nations.
(d) Finance and technology hubs set up by the state governments to foster foreign investments in their states.

76. With reference to external sector of any country's economy, Balance of Payments (BOP) equilibrium refers to a situation where:

(a) The current account deficit is financed entirely by foreign borrowing or asset sale without any Forex reserve movements.
(b) Both the current account and capital account show surpluses simultaneously.
(c) The demand for foreign exchange is balanced using the Forex reserves held by the Central Bank.
(d) The capital account surplus is larger than the current account deficit.

77. With reference to the Nominal Effective Exchange Rate (NEER), consider the following statements:

1. It is adjusted for inflation to reflect the real purchasing power of a currency.
2. It is a measure of the value of a currency against a weighted average of several foreign currencies.
3. Decrease in NEER indicates a decrease in the value of the domestic currency relative to a basket of foreign currencies.

Which of the above statements are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

78. In the context of financial markets, what does the term "taper tantrum" best refers to:

(a) a sudden increase in foreign investment in a country, leading to a significant decrease in bond yields.
(b) the government announcing large capital expenditure on infrastructure, leading to a slight rise in bond yields due to increased borrowing.
(c) a sudden increase in bond yields triggered by a central bank announcement of reducing the pace of its bond-buying program.
(d) the central bank unexpectedly decreasing the interest rates to combat recession, leading to a significant decrease in bond yields.

79. In the context of Indian economy, consider the following statements:

Statement I: An Indian resident can gift any amount of cash to his/her relative living outside India in foreign currency within a financial year.

Statement II: India follows full current account convertibility.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I
(b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I
(c) Statement-I is correct, but Statement-II is incorrect
(d) Statement-I is incorrect, but Statement-II is correct

80. Consider the following factors:

1. High consumption expenditure of imported goods
2. Increase in global fuel prices
3. Decline in export competitiveness
4. Increment in net remittances into the country

How many of the above factors may lead to Current Account Deficit of India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

81. Arrange the following countries in an increasing order as per their share (in value terms) in India's total exports during the year 2023-24?

1. USA
2. UAE
3. China
4. Netherlands

Select the correct answer using the code given below:
(a) 4-2-3-1
(b) 3-4-2-1
(c) 4-2-1-3
(d) 1-3-2-4

82. The Hershman-Herfindahl index, recently seen in news, provides information on which one of the following?
(a) Economic inequality between the developing and developed countries
(b) Openness of an economy in terms of tariff and non-tariff barriers
(c) Logistics efficiency in a country
(d) Competitiveness within an industry or sector.

83. Consider the following statements regarding recently launched Initiative 'Nari Adalat':
1. It is a programme under the umbrella scheme of Mission Shakti.
2. The initiative is being implemented under the Ministry of Social Justice and Empowerment.
3. Remuneration of the members of Nari Adalat is equivalent to that of a district judge.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

84. Which of the following statements correctly represents the term 'Official Reserve Transactions'?
(a) All the transactions made out of Consolidated Fund of India.
(b) Withdrawal of money from the Special Drawing Rights with the IMF.
(c) Transactions made to bridge the gap in the balance of payments.
(d) Reserves used by the Government before the passage of the Money Bill.

6.2. International Institutions

85. Consider the following pairs:

Report/Indices	Released by
1. World Investment Report	World Bank
2. Logistics Performance Index (LPI)	World Economic Forum (WEF)
3. World Migration Report	The United Nations High Commissioner for Refugees (UNHCR)

How many of the pairs given above are correctly matched?
(a) Only one
(b) Only two
(c) All three
(d) None

86. Consider the following countries:
1. Mauritius
2. Australia
3. United Arab Emirates (UAE)

With how many of the above countries has India signed Free Trade Agreements (FTAs)?
(a) Only one
(b) Only two
(c) All three
(d) None

87. Consider the following factors:
1. Gross Domestic Product (GDP)
2. Openness
3. International Reserves

How many of the above given factors are considered for calculating a member country's quota in the International Monetary Fund (IMF)?
(a) Only one
(b) Only two
(c) All three
(d) None

88. With reference to the International Bank for Reconstruction and Development (IBRD), consider the following statements:
1. It provides loans to governments at national and sub national level.
2. The major source of funds for IBRD is the contributions made by member countries.
3. India is one of the founding members of IBRD.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

89. Consider the following International reports:

1. Global Financial Stability Report
2. The Fiscal Monitor
3. Global Competitiveness Report

How many of the above reports are released by the International Monetary Fund (IMF)?

(a) Only one
(b) Only two
(c) All three
(d) None

90. Consider the following organizations:

1. International Cotton Advisory Committee
2. International Sugar Organisation
3. International Grains Council

India is a member of how many of the above organizations?

(a) Only one
(b) Only two
(c) All three
(d) None

91. With reference to Basel Committee on Banking Supervision (BCBS), consider the following statements:

1. It was established in 1999 as a response to Asian financial crisis
2. It is the highest decision-making body of the Bank for International Settlements.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

92. With reference to World Trade Organization, consider the following pairs:

Terms related to WTO	Description
1. Peace clause	Temporary immunity for developing countries breaching food subsidy limits under the Agreement on Agriculture.
2. Compulsory licensing	Provision under Trade-Related Aspects of Intellectual Property Rights (TRIPS) allowing countries to produce a patented product with the consent of the patent holder.
3. Most Favoured Nation clause	Requires countries to offer the same trade terms to all its trading partners, with notable exceptions under WTO rules.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

93. With reference to the Financial Action Task Force, which of the following statements is incorrect?

(a) It is an intergovernmental organization that examines and develops measures to combat terror financing.
(b) Its Secretariat is located at the Organisation for Economic Co-operation and Development (OECD) headquarters.
(c) It revises the countries on the Blacklist and Grey list three times a year.
(d) It has a separate investigation arm which investigates cases related to money laundering.

94. With reference to the New Development Bank (NDB), consider the following statements:

1. The agreement to establish the bank was signed during the 6th BRICS summit in Fortaleza.
2. Currently, each of the founding members of the NDB have equal voting power.
3. One of its mandates is to mobilize resources for infrastructure and sustainable development projects only for its member countries.

Which of the statements given above are correct?

(a) 1 and 2 only

(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

95. With reference to International Centre for Settlement of Investment Disputes (ICSID), one of the organization under the World Bank group, consider the following statements:

Statement-I: India is not a signatory to the convention.

Statement-II: None of the SAARC member States are signatory to the convention.

Statement-III: Ratification of convention requires changes in the labour and patent laws of the country.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-II and Statement-III are correct and both of them explain Statement-I.
(b) Both Statement-II and Statement-III are correct, but only one of them explains Statement-I.
(c) Only one of the Statements II and III is correct and that explains Statement-I.
(d) Neither Statement-II nor Statement-III is correct.

96. With reference to the Asian Development Bank (ADB), consider the following statements:

1. India is a founding member of the Asian Development Bank (ADB).
2. Only the countries from Asia can become its members.
3. Voting power of a member is determined based on the number of shares of the capital stock of ADB held by that member.

Which of the statements given above are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

97. With reference to International Finance Corporation (IFC), consider the following statements:

1. It directly provides loans to the private companies.
2. It provides interest free loans to all the eligible borrowers.
3. It is the most recent organ to be set up among the World Bank Group.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) None

98. Special Drawing Right (SDR) is an interest-bearing international reserve asset created by the International Monetary Fund (IMF). Its value is based on a basket of international currencies. In this context consider the following currencies:

1. U.S. Dollar
2. Indian Rupee (INR)
3. Russian Rubel
4. Chinese Renminbi
5. Pound Sterling
6. Japanese Yen

How many of the above international currencies are part of the basket of international currency that determine the value of SDR?

(a) Only three
(b) Only four
(c) Only five
(d) All six

99. Consider the following statements regarding the International Development Association (IDA) a part of the World Bank group:

1. It generally provides interest-free loans and grants to the world's poorest countries.
2. Eligibility for IDA assistance is primarily based on a country's Gross National Income (GNI) per capita.
3. Presently, India is outside the ambit of concessional loans under IDA.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

100. With reference to South Asia Sub Regional Economic Cooperation (SASEC), consider the following statements:

1. Asian Development Bank (ADB) serves as the secretariat for SASEC.
2. Pakistan, Afghanistan and India are members of this association.
3. Energy and Transport are few of the sectoral operational priorities of SASEC.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 1, 2 and 3
(d) 1 and 3 only

101. In the context of the World Trade Organization (WTO), the principle of National Treatment refers to:

(a) treating foreign and domestic goods equally once the foreign goods have entered the domestic market.
(b) providing preferential treatment to domestic industries to protect them from foreign competition.
(c) allowing member countries to grant subsidies to domestic producers.
(d) imposing higher tariffs on imported goods to counter the effect of subsidies provided by the exporter country.

102. With reference to the Most Favoured Nation (MFN) status under WTO Framework, consider the following statements :

1. It implies special preference given to the trading partner with MFN status.
2. Regional Trade Agreements can be an exception to MFN status.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

103. With reference to the Organisation for Economic Co-operation and Development (OECD), consider the following statements:

1. India is a founding member of the OECD.
2. It is a global standard setter to tackle tax evasion and avoidance.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

104. With reference to International Monetary Fund (IMF) Quotas, consider the following statements:

1. The size of a country's quota in the IMF is generally influenced by the size of its GDP.
2. Higher quotas allow countries to borrow more from the IMF's financial resources.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

105. Consider the following:

1. It acts as the judicial arm of the United Nations in case of economic disputes between member countries.
2. It can provide financing to member countries in response to natural disasters and pandemics.
3. It highlights financial stability risks to member countries and advises the government on potential policy adjustments.

Which of the above is/are the functions/roles of the International Monetary Fund?

(a) 1 and 2 only
(b) 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

106. Consider the following:

Bank for International settlements (BIS) can provide financial service to:

1. Central banks
2. Corporate entities with a global presence
3. International Financial Institutions.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2
(c) 2 and 3
(d) 1 and 3

107. Consider the following statements regarding the International Labour Organization (ILO):

1. It is the only tripartite United Nations Agency.
2. India has ratified all eight core conventions of the ILO.
3. It publishes the annual World Employment and Social Outlook report.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

108. Which of the following statements regarding the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the World Trade Organization is incorrect?

(a) It was an outcome of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).
(b) The World Intellectual Property Organization (WIPO) was established under this agreement.
(c) It allows compulsory licensing under certain conditions.
(d) The areas of intellectual property that it covers include geographical indications.

109. Consider the following statement regarding International Centre for Settlement of Investment Disputes (ICSID):

1. India is a founding member of ICSID.
2. ICSID is one of the five organizations that make up the World Bank Group.
3. Awards given by the forum are final and binding, and may not be set aside by the courts of any ICSID member State.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

110. Consider the following statements:

Statement-I: Special Drawing Rights (SDRs) allocation to member countries by the International Monetary Fund (IMF) is not a loan.

Statement-II: A member country does not earn interest or pay any fees on the SDRs it holds with the IMF.

Which one of the following statements is correct?

(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I
(b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I
(c) Statement-I is correct, but Statement-II is incorrect
(d) Statement-I is incorrect, but Statement-II is correct.

111. Consider the following information:

It is the difference between the member country's quota and the International Monetary Fund (IMF) holdings of its currency.

Which one of the following best describes the above statement?

(a) General Resources Account
(b) Reserve Tranche Position
(c) Buffer Stock Facility
(d) Stand By Arrangement

112. Consider the following pairs:

International Reports	Developed by/ Released by
1. World Economic Outlook (WEO)	International Monetary Fund (IMF)
2. Geopolitical Risk Index	World Bank
3. World Investment Report	United Nations Conference on Trade and Development (UNCTAD)

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

113. Various types of methods have been used by countries for determining their currency's exchange rates. In this context, the Bretton Woods System can be most appropriately explained as which of the following?

It is a type of currency regime where:

(a) the central banks intervened to buy and sell foreign currencies in order to manage the exchange rates.
(b) the exchange rate was determined by the market forces.
(c) the global financial institutions fixed the exchange rate at a particular level.
(d) the currencies were pegged to the value of the US dollar.

114. The Hong Kong International Convention, is related to:

(a) Development of highways for international trade
(b) Sustainable management of ship recycling
(c) Regulation of civil aviation safety standards
(d) Construction of green energy infrastructure for ports

115. Consider the following pairs:

Index	Released by
1. Global Innovation Index	World Intellectual Property Organization (WIPO)
2. Travel and Tourism Development Index	United Nations Educational, Scientific and Cultural Organisation (UNESCO)
3. Baltic Dry Index	World Bank

How many pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

116. The Brundtland Report, also known as 'Our Common Future' (1987), is:

(a) a report by the United Nation Convention to Combat Desertification highlighting the importance of transforming the food system to solve multiple crises.
(b) a key document of the World Bank on the implementation of poverty alleviation programs in Least Developed Countries (LDCs).
(c) a key document focusing on sustainable development, published by the World Commission on Environment and Development.
(d) a report of the first Convention on Biological Diversity focusing on the sustainable use of biodiversity.

117. With reference to the 'Extended Fund Facility (EFF)', consider the following statements:

1. It is a lending arrangement of the World Bank to developing countries.
2. It provides financial assistance to countries facing serious medium-term balance of payments (BoP) crises.
3. No interest is charged on the loan amount given to developing countries under this arrangement.

Which of the above statements is/are correct?

(a) 2 only
(b) 1 and 2 only
(c) 1 and 3 only
(d) None of the above

118. With reference to 'New Development Bank (NDB)', consider the following statements:

1. It was established during the BRICS Summit held in Fortaleza in 2014.
2. It is headquartered in Beijing, China.
3. Only member countries of BRICS group can obtain membership in NDB.
4. All the members of NDB have an equal shareholding.

How many of the above statements are correct?

(a) Only one
(b) Only two
(c) Only three
(d) All four

119. With reference to the International Monetary Fund (IMF) and the World Bank (WB), consider the following statements:

1. Both were established as an outcome of the Bretton Woods Conference, 1944.
2. Currently, all the member countries of the IMF are members of the World bank as well.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

120. Consider the following statements:

Statement I: The government can allow the manufacturing of a patented product without the consent of the patent owner.

Statement II: World Trade Organisation's (WTO) TRIPS provides for compulsory licensing.

Which one of the following is correct in respect of the above statements?

(a) Both Statement I and Statement II are correct and Statement II is the correct explanation for Statement I.
(b) Both Statement I and Statement II are correct but Statement II is not the correct explanation for Statement I.
(c) Statement I is correct but Statement II is incorrect.
(d) Statement I is incorrect but Statement II is correct.

121. With reference to the Organization for Economic Co-operation and Development (OECD), consider the statements:

1. Tax Inspectors without Borders (TIWB) is the joint initiative of OECD and G20 countries.
2. Crypto-Asset Reporting Framework (CARF) is an initiative of OECD for standardization of reporting the crypto assets transactions.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

122. With reference to Codex Alimentarius Commission, consider the following:
1. It is an international food safety and quality standard-setting body.
2. It is established jointly by the Food and Agriculture organization (FAO) and World Health Organization (WHO).
3. The Codex food standards are legally binding on the member countries of the commission.
4. India is not a member of the commission.

Which of the statements given above are correct?
(a) 1 and 2
(b) 1 and 3
(c) 3 and 4
(d) 2 and 4

123. Most Favored Nation principle of World Trade Organization (WTO) often talked in the news refers to:
(a) ensuring equal treatment for both imported and locally produced goods and services within a nation's territory.
(b) ensuring equal treatment between trading partners without any discrimination.
(c) eliminating trade barriers amongst trading partners, and it creates a free trade area among the trading nations.
(d) a promise by a country to treat few of its trading partners favorably, offering special trade benefits.

124. With reference to International Finance Corporation (IFC), consider the following statements:
1. It is a part of World Bank group.
2. It provides financing solely to governments in developing countries.
3. Its Green Equity Approach (GEA) does not permit its financial intermediaries to support any new coal projects.

Which of the statements given above is/are correct?
(a) 2 only
(b) 1 and 3 only
(c) 1, 2 and 3
(d) 3 only

125. With reference to the Information Technology Agreement (ITA), a plurilateral agreement of the World Trade Organisation (WTO), consider the following statements:
1. India is a signatory to the Information Technology Agreement (ITA).
2. Under ITA, the participants are committed to completely eliminating tariffs on IT products covered by the Agreement.
3. It is only concerned with the regulation of IT services, but not goods.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 1, 2 and 3
(d) 2 only

126. Consider the following International economic organizations:
1. International Monetary Fund
2. Bank for International Settlements
3. Asia-Pacific Economic Cooperation
4. World Customs Organization

India is a founding member of how many of the International economic organizations given above?
(a) Only one
(b) Only two
(c) Only three
(d) All four

127. With reference to the Special Safeguard Mechanism (SSM) of the World Trade Organization (WTO), consider the following statements:
1. It enables every member country of WTO to increase tariffs on agricultural imports that negatively impact local farmers.
2. The import restrictions under this SSM would be limited for the maximum duration of one year.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

128. In the context of International Monetary Fund (IMF), which of the following statements is correct regarding the Reserve Tranche Position of a country?

It is a portion of a member country's quota which:

(a) can be withdrawn without service fees or economic reform conditions.
(b) cannot be withdrawn under any circumstances.
(c) can be withdrawn only on paying a penal rate of interest.
(d) can be withdrawn as a last resort on the conditionality of full-fledged economic reforms.

129. Consider the following statements regarding the financing mechanisms 'Rapid Credit Facility (RCF)' and 'Rapid Financing Instrument (RFI)' of the International Monetary Fund (IMF):

1. RCF is available only to the low-income countries, whereas RFI is available to all the member nations of IMF.
2. A full-fledged economic reforms program is not necessary for RCF, whereas it is pre-requisite for RFI.
3. Access to finance under both the methods is determined by considering the country's Balance of Payments position.

Which of the statements given above is/ are correct?

(a) 2 and 3 only
(b) 3 only
(c) 1 and 2 only
(d) 1 and 3 only

130. Consider the following statements about International Bank of Reconstruction and Development (IBRD):

1. It was an outcome of the 1944 United Nations Monetary and Financial Conference.
2. It provides loans to middle-income developing countries and creditworthy lower-income countries.
3. The IBRD finances investments but does not provide technical assistance and expertise for a project.

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

131. With reference to the Bank for International Settlements (BIS), consider the following statements:

1. It aims to promote global monetary and financial stability through the coordination of global central banks.
2. The BIS is an autonomous institution that functions under the International Monetary Fund.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

SOLUTIONS

6.1. External Sector

1. Solution: (a)

Exp) Option a is the correct answer.

The balance of payments (BoP) records the transactions in goods, services and assets between residents of a country with the rest of the world for a specified time period typically a year.

Autonomous transactions are the international economic transactions that are made independently of the state of the Balance of Payments (BOP). They are made due to some reason other than to bridge the gap in the balance of payments. **Autonomous transactions are called 'above the line items' in Balance of payments.** These transactions take place due to some economic motives like earning income and profit maximization.

Accommodating transactions, also called 'below the line' items, are determined by the gap in the balance of payments, whether there is a deficit or surplus in the balance of payments. They are **made to bridge the gap (deficit or surplus) in the BoP. They are determined by the net consequences of the autonomous transactions.**

Important Tips

The Capital Account of BoP refers to all international transactions of assets. It records changes in ownership of assets. An asset is any one of the forms in which wealth can be held, for example: money, stocks, bonds, Government debt, etc.

Transfer payments are the receipts which the residents of a country get for 'free', without having to provide any goods or services in return. They consist of gifts, remittances and grants. They could be given by the government or by private citizens living abroad.

2. Solution: (b)

Exp) Option b is the correct answer.

Foreign exchange reserves are assets denominated in a foreign currency that are held as reserves by a central bank. India's gross foreign exchange reserves comprise **foreign currency assets of the Reserve Bank, gold held by RBI and Special Drawing Rights** (SDRs) of the Government of India and reserve portion in IMF. **The Reserve Bank of India (RBI) is the custodian of the Foreign exchange reserves in India.**

India's foreign exchange reserves is currently valued at $644.39 billion as of December 2024, according to data shared by the Reserve Bank of India (RBI). Out of this, the largest component is Foreign Currency Assets which is valued at $556.56 billion currently. And India also has the fourth world's largest foreign exchange reserves after China, Japan, and Switzerland.

Deployment Pattern of Foreign Currency Assets

(USD Million)

	As at end of March 2021	As at end of September 2021
Foreign Currency Assets (FCA)	5,36,693	5,73,599
(a) Securities	3,59,878	3,83,737
	(67.05)	(66.09)
(b) Deposits with other central banks & BIS	1,53,389	1,47,861
	(28.58)	(25.78)
(c) Deposits with commercial banks overseas	23,426	42,001
	(4.36)	(7.32)

Option 1 is incorrect: SDR holdings of Reserve bank of India which is included under SDR is a broader category and is part of Foreign exchange reserve and **not part of Foreign currency assets.**

Option 2 is incorrect: Foreign current Asset also excludes investment by RBI in bonds issued by IIFC (UK).

Option 3 is correct: Foreign currency assets include securities, thus Investment by RBI in foreign government securities with maturities up to 10 years is part of Foreign currency assets.

The share of India's foreign currency assets deployed in overseas securities rose to 81.43 per cent by September from 80.76 per cent in March 2023, according to the Reserve Bank of India's (RBI) Report on Management of Foreign Exchange Reserves.

Option 4 is correct: Deposits of RBI with other central banks and the Bank for International Settlement are maintained as part of Foreign currency assets.

3. Solution: (a)

Exp) Option a is the correct answer.

Terms of trade are defined as the ratio between the index of export prices and the index of import prices.

If the export prices increase more than the import prices, a country has a positive terms of trade, as for the same amount of exports, it can purchase more imports.

4. Solution: (a)

Exp) Option a is the correct answer.

Tariff barriers are unusually high taxes on imported goods that a government imposes to limit trade and protect domestic producers. Non-tariff barriers are is a means of restricting trade without the use of tariffs.

Option 1 is incorrect. Quotas are a type of non-tariff barriers. It limits the quantity of a product that can be imported or exported during a specific period.

Option 2 is incorrect. Trade embargo are a type of non-tariff barriers. They refer to the official prohibition by a country on the import and export of goods and services with certain other country. It is carried out to attain certain political and economic goals.

Option 3 is correct. Import duties are a type of tariff barriers. They refer to taxes on goods brought into a country. They are levied by customs authorities at the border.

Option 4 is incorrect. Licenses are a type of non-tariff barriers. They are used by a country to restrict the import of products of a particular businesses into the country. Thus, only corporates who have the permission to export goods to a country are allowed to do so.

Option 5 is correct. Ad Valorem Duties are a type of tariff barriers. It refers to duty that is levied as a percentage of value of the services or goods being imported, rather than on their weight or the number of units.

5. Solution: (b)

Exp) Option b is the correct answer.

The foreign exchange reserve of India is consisting of Foreign Currency Assets, Gold Stock of RBI, SDR (Special Drawing Right) holdings of the government, Reserve Tranche position with international monetary fund. In India, Foreign Exchange Reserves are the foreign assets held or controlled by the country central bank. The reserves are made of gold or a specific currency. Currencies of various countries are held in foreign exchange reserve.

Statement 1 is incorrect: The major reason for the rise in forex reserves is the rise in investment in foreign portfolio investors in Indian stocks and foreign direct investments (FDIs).

Statement 2 is correct: Forex reserves are instruments to maintain or **manage the exchange rate**, while enabling orderly absorption of international money and capital flows. The foreign exchange reserves to GDP ratio is around 15 per cent. In brief, official reserves are held for precautionary and transaction motives keeping in view the aggregate of national interests, to achieve balance between demand for and supply of foreign currencies, for intervention, and to preserve confidence in the country's ability to carry out external transactions.

Statement 3 is correct: The Reserve Bank functions as the custodian and manager of forex reserves, and operates within the overall policy framework agreed upon with the government. The RBI allocates the dollars for specific purposes. The RBI uses its forex for the orderly movement of the rupee. **It sells the dollar when the rupee weakens and buys the dollar when the rupee strengthens.**

6. Solution: (d)

Exp) Option d is the correct answer.

Convertibility refers to the ability to freely exchange a country's currency for other currencies.

Capital account transactions involve the buying and selling of assets, such as stocks, bonds, and real estate, across international borders.Current account involves trade in goods and services.

Statement-I is incorrect: In 1994, India achieved full convertibility on the current account, which pertains to trade in goods and services. Capital account convertibility, involving the free flow of investments like stocks and bonds, remains a more complex issue. India maintains regulations on capital flows to manage financial stability.

Statement-II is correct: Following the 1991 economic crisis, a key part of the **structural reforms was to liberalize the trade account.** This involved moving towards **full convertibility of the rupee on the current account, which includes trade transactions.**

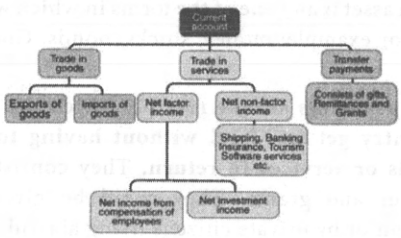
7. Solution: (a)

Exp) Option a is the correct answer.

The Balance of Payments (BoP) is a statement of transactions in goods, services and assets between residents of a country with rest of the world. There are three main accounts in the BoP- the current account, the financial account and the capital account.

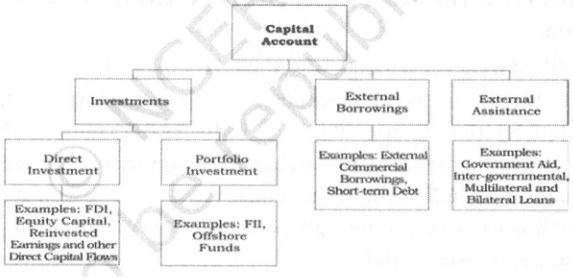
Statement 1 is correct: Current account is the record of trade in goods and services and transfer payments.

1) Trade in goods includes exports and imports of goods.
2) Trade in services includes net factor income and net non-factor income transactions.
3) Transfer payments are the services which recipients of a country get for 'free'. These include gifts, remittances and grants.



Statement 2 is correct: External assistance in the form of Inter-governmental loans is classified under capital accounts of BoP. These also include multilateral and bilateral loans. Capital Account records all international transactions of assets and liabilities. For example, if an Indian borrows money from a foreign bank, it is a capital account transaction. Following are the components of capital account:

Fig. 6.2: Components of Capital Account



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Statement 3 is incorrect: Autonomous transactions are independent of the BoP and they are not made intentionally to reduce the deficit in the BoP. Accommodating transactions are determined by the gap in balance of payments. In other words, they aim to bridge gap in balance of payments. The sale of foreign exchange by the RBI during deficit (official reserve sale) is an example of accommodating transaction.

8. Solution: (d)

Exp) Option d is the correct answer.

External Commercial Borrowings (ECBs) refer to loans raised by eligible Indian entities from recognized non-resident lenders. Essentially, it's a way for Indian companies and organizations to borrow money from overseas sources .

ECBs are used to fund various activities, such as Infrastructure projects,Industrial expansion,Capital expenditure,Other approved purposes.

Statement 1 is correct: External Commercial Borrowings are **intended to fund real economic activities, such as infrastructure development, industrial projects, and other productive investments.** Allowing ECB funds into the capital market would introduce excessive volatility and speculative risk, which is against the regulatory intent.Therefore they **cannot utilised for investment in capital market.**

Statement 2 is correct: The Reserve Bank of India (RBI) **allows eligible NGOs engaged in microfinance to access ECB funds,** enabling them to expand their lending operations and provide financial services to underserved populations. This helps to boost financial inclusion.

Statement 3 is correct: ECBs can be raised in any freely convertible foreign currency, as specified by the RBI. The RBI has put in place regulations that allow **ECBs to be raised in Indian Rupees, also known as Rupee denominated bonds.** This helps to reduce the exchange rate risk for Indian borrowers and also helps in the Internationalization of the Indian Rupee.

9. Solution: (c)

Exp) Option c is the correct answer.

The EXIM Bank's mission is globalization of Indian business. It has leadership and expertise in export finance to actively assist Indian companies having global aspirations.

Statement 1 is correct: EXIM Bank has been set up under an 'Act' of Parliament. **The Export-Import Bank of India Act was passed in September, 1981** and the Bank commenced its operations in 1982. **It is wholly-owned by the Government of India.**

Statement 2 is incorrect: The ECGC Ltd. has been set up in 1957 and is **wholly owned by the Government of India.** Its main objective is to promote exports from the country by providing **credit risk insurance and related services for exports.** The Corporation has introduced various export credit insurance schemes to meet the requirements of commercial banks extending export credit. The insurance covers enable the banks to extend timely and adequate export credit facilities to the exporters.

Statement 3 is correct: EXIM Bank, along with Small Industries Development Bank of India (SIDBI), has launched the 'Ubharte Sitaare Fund'. The Fund will make equity investments in export-oriented units, both in manufacturing and service sectors. The Fund will target small and mid-sized companies

10. Solution: (d)

Exp) Option d is the correct answer.

Underlining the importance of safe and quality food in the wake of pandemic, the fifth session of the Codex Committee on Spices and Culinary Herbs (CCSCH) established under Codex Alimentarius Commission (CAC) was held in India in April 2021.

Statement 1 is correct: The Codex Alimentarius is a collection of internationally adopted food standards and related texts presented in a uniform manner. These food standards and related texts aim at protecting consumers' health and ensuring fair practices in the food trade. Hence, it is not a component of any banned cough syrup, rather it is an International code adopted for food and hygiene standards.

Statement 2 is correct: The Codex Alimentarius Commission (CAC) is an intergovernmental body established jointly by the UN's Food and Agriculture Organisation (FAO) and the World Health Organisation (WHO) in 1963, within the framework of the Joint Food Standards Programme to protect the health of consumers and ensure fair practices in the food trade. It meets in regular session once a year alternating between Geneva and Rome.

Statement 3 is correct: India became the member of Codex Alimentarius in 1964. Currently the Codex Alimentarius Commission has 189 Codex Members made up of 188 Member Countries and 1 Member Organization (The European Union).

Important Tips

To develop and expand worldwide standards for spices and culinary herbs, and to consult with other international organisations in the standards development process Codex Committee on Spices and Culinary Herbs (CCSCH) was formed in 2013 with support of more than a hundred countries with India as the host country and Spices Board as the Secretariat for organising the sessions of the committee. Since its inception, the Codex Committee on Spices and Culinary Herbs has been successful in developing harmonised global Codex standards for spices and herbs.

11. Solution: (b)

Exp) Option b is the correct answer

India's external debt standing at **US$ 610.5 billion** as of end-September 2022, grew by 1.3 per cent (US$ 7.6 billion) over US$ **602.9 billion** in end-September 2021. However, external debt as a **ratio to GDP fell to 19.2%** as of end-September 2022 from **20.3%** in end-September 2021.

Statement 1 is incorrect: Of the total external debt, the Share of **long-term debt is larger than the share of short-term**

debt. The share of long-term debt to India's total external debt is 78.4% as of end-September 2022, (82.8% in 2021) and the share of short-term debt is 21.6% by end-September 2022 (17.2% in 2021).

Statement 2 is correct: It is true that the major part of India's external debt is **denominated in the US dollar (55.5%)**, the **Indian rupee-denominated component (30.2 per cent)** occupies the second largest position. This insulates the external debt from foreign currency risk, thereby strengthening the economic stability of a nation.

Statement 3 is correct: As of end-September 2022, **Sovereign External Debt (SED)** which includes debt owed by Central as well as State governments amounted to **US$ 124.5 billion** whereas **Non-Sovereign Debt estimated** at **US$ 486.0 billion** as of end-September 2022.

12. Solution: (c)

Exp) Option c is the correct answer.

As per Reserve Bank of India (RBI), the capital account comprises capital transfers receivable and payable between residents and non-residents. These also include **acquisition and disposal of non-produced non-financial assets**. Non-produced non-financial assets include- **natural resources, contracts and licenses, and marketing assets.**

Option 1 is correct: A trademark is a sign capable of distinguishing goods and services of one entity from the other. It can be traded independently (i.e. without selling the entire business). Other marketing assets include items such as existing brand names, mastheads, franchises, logos and domain names and goodwill. **When these items are acquired/ sold separately (i.e. as a standalone item) from the entity that owns them, they are recorded under capital account of BoP.**

Option 2 is correct: Acquisition and disposal of natural resources are considered under the capital account transactions. **The natural resources include mineral rights, forestry rights, water, wishing rights, air space and electromagnetic spectrum**. Transactions in all these items are classified under capital account of the BoP.

Option 3 is incorrect: In a financial lease, the **lessor** has only legal title and not the economic ownership. In other words, **lessee** has the right to use (economic ownership) and he obtains legal title on making all the lease payments. **Goods acquired by lessee under a financial lease are included in general merchandise. Hence, they are part of 'balance of trade'** component of the current account. Goods acquired on operational lease (where title does not transfer at all) are included under the 'service' component.

Option 4 is incorrect: Non-customized packaged software, video and audio recordings with license for perpetual use are considered as general merchandise. These items are included in balance of trade component of the current account. It should be noted that **customized software is included under 'services' component.**

13. Solution: (d)

Exp) Option d is the correct answer.

Foreign Portfolio Investors (FPIs) are entities that invest in the financial assets of a country **without directly managing those assets.**Foreign Portfolio Investors (FPIs) in India are permitted to invest in a range of financial instruments, primarily to facilitate capital inflows into the Indian

Option 1 is correct: Treasury Bills are short-term debt instruments issued by the Indian government. They are considered very safe investments due to the government's backing. **FPIs can invest in T-bills to park their funds for short periods and earn a relatively low-risk return.**

Option 2 is correct: Dated Government Securities are long-term debt instruments issued by the Indian government. They provide a fixed rate of return and are also considered relatively safe. **FPIs invest in these securities to diversify their portfolios and earn stable returns over longer periods.**

Option 3 is correct: Commercial Papers issued by Indian companies are short-term, unsecured debt instruments issued by Indian corporations. **FPIs can invest in these to earn higher returns than government securities**, but they also carry a higher risk of default. These are a way for Corporations to raise short term funds.

Option 4 is correct:IDRs are instruments that allow foreign companies to raise capital in the Indian market. They represent ownership in the underlying shares of a foreign company. **FPIs can invest in IDRs, giving them access to foreign companies listed on Indian exchanges.**

Option 5 is correct:REITs are investment vehicles that own and operate income-generating real estate properties. They distribute a large portion of their income to investors in the form of dividends. **FPIs are permitted to invest in REITs,** providing them with exposure to the Indian real estate market.

14. Solution: (a)

Exp) Option a is the correct answer.

In today's world, global trade is not just about money—it's also about **trust and security**. Countries are changing the way they manage their supply chains due to **political tensions, economic uncertainties, and the need for stability**. This has led to the rise of different trade strategies.

Option a is correct. Friendshoring refers to the rerouting of supply chains to countries perceived as politically and economically safe or low-risk, to avoid disruption to the flow of business. For example, the **U.S. is shifting semiconductor manufacturing to India and Taiwan** instead of China to reduce risks from geopolitical tensions.

Option b is incorrect. Reshoring is bringing **manufacturing or production back to the home country** to reduce reliance on foreign suppliers. For example, India's **"Atmanirbhar Bharat" (Self-Reliant India)** initiative encourages companies to produce goods domestically instead of importing them.

Option c is incorrect. Nearshoring describes the process of a company relocating business operations to a nearby country, often with a shared border. It is moving production to a nearby country to cut transportation costs and improve

efficiency. For example, **U.S. companies shifting production from China to Mexico** because it's closer and reduces shipping time.

Option d is incorrect. Offshoring is moving **business operations or production to a foreign country** to **reduce labor and operational costs**. For example, Many **U.S. and European companies outsource IT and customer support to India** because skilled labor is available at lower costs.

15. Solution: (d)

Exp) Option d is the correct answer.

The Balance of Payments (BoP) is a comprehensive record of all economic transactions between residents of a country and the rest of the world during a specific period. A key criterion for recording a transaction in the BoP is the residency status of the entities involved. Accordingly, the transactions between residents and non-residents are recorded in the BoP, while transactions solely between residents or solely between non-residents are excluded.

In the given question, the individual, despite traveling to the USA for a week, maintains his status as a **resident of India** because the trip is temporary. His family in India are also **residents of India**.

Since the transaction for transfer of ₹ 1 lakhs occurs between residents, it **does not involve any non-resident entities**. Therefore, this transaction **is not recorded in India's Balance of Payments**.

16. Solution: (b)

Exp) Option b is the correct answer.

Effective exchange rates (EERs) serve as a gauge for **assessing** the fair **value of a currency, the external competitiveness** of an economy and even serve as **guideposts for setting monetary and financial conditions**.

The nominal effective exchange rate (NEER) is an unadjusted weighted average rate at which one country's currency exchanges for a basket of multiple foreign currencies. The nominal exchange rate is the amount of domestic currency needed to purchase foreign currency.

A real effective exchange rate (REER) is the NEER adjusted by relative prices or costs, typically captured in inflation differentials between the home economy and trading partners. Conceptually, EERs are founded on the purchasing power parity (PPP) hypothesis.

Statement 1 is correct: An increase in REER implies that exports become more expensive and imports become cheaper; therefore, an increase indicates a loss in trade competitiveness.

Statement 2 is incorrect: Nominal/ real effective exchange rate (NEER/REER) Index is based on the Indian rupee adjusted to a **basket of 40-currency.** Recently RBI, updated it by expanding the basket from 36 to **40 currencies**, with the inclusion of eight new currencies and exclusion of four currencies.

Statement 3 is correct: Recently, **RBI has shifted the base year** for calculation of REER/NEER from 2004-05 to **2015-16.**

17. Solution: (a)

Exp) Option a is the correct answer.

In economics, capital flight is a phenomenon characterized by large outflows of assets and/or capital from a country due to some events, resulting in negative economic consequences to that country. The events that can lead to capital outflows may be generally categorized as political or economic.

Option a is correct: The **flight of capital** can be triggered by some macroeconomic factors such as **exchange rate fluctuations**. The **devaluation** of the **domestic currency** lowers investors' confidence, causing them to withdraw their capital from a country.

Option b is incorrect: Other economic reasons may also trigger capital flight. These reasons include a significant **tax increase** or **declining interest rates**. For example, after the French government introduced its version of the wealth tax, the country experienced an exodus of wealthy individuals and their private capital.

Option c is incorrect: Both domestic (push) and external (pull) factors may create capital flight. An example for push is the **increase** in **interest rate by the US Fed** may make high returns for US financial assets. Increase in US interest rate implies more interest rate in US banks as compared to Indian banks. Here the US investors who have invested in India may find that US is also attractive now because of the rate of interest hike there. Also, decrease in interest rates in foreign nations will have the opposite effect. This will make India an attractive destination for the investors.

Option d is incorrect: Various **political events** frequently become the reasons for capital outflows from a country. For example, political turmoil (including political instability and risks of civil conflicts) may shake **investors' confidence** regarding the country's economic prospects, thus causing capital flight. Whereas elections providing clear majority to party is the sign of stable government, in such cases investor confidence is increased. This may cause more capital inflow in the economy.

18. Solution: (c)

Exp) Option c is the correct answer.

Nominal Effective Exchange Rate (NEER) and **Real Effective Exchange Rate (REER)** are key indicators used in international economics to assess the value of a country's currency relative to other currencies. **NEER** measures the **nominal value of a currency** against a basket of currencies, typically including major trading partners' currencies, without adjusting for inflation. On the other hand, **REER adjusts NEER for inflation** differences between countries, providing a more accurate measure of a currency's real purchasing power.

Statement 1 is correct: NEER measures the **value of a country's currency against a basket of other major currencies**, weighted by their relative trade importance. When the NEER increases, it means that the domestic currency has appreciated in value compared to the currencies in the basket. This appreciation implies that it takes **fewer**

units of the domestic currency to buy the same amount of foreign currency. In other words, the domestic currency becomes **stronger** relative to the currencies in the basket.

Statement 2 is correct: An increase in **REER makes imports cheaper for domestic consumers** and businesses. With the appreciation of the domestic currency, it takes **fewer units of the domestic currency to purchase foreign goods**. An increase in REER implies that exports become more expensive and imports become cheaper; therefore, an increase indicates a loss in trade competitiveness.

Statement 3 is correct: When a country's **trade balance is stable,** there is **less pressure on its currency to appreciate or depreciate significantly in nominal terms**. Similarly, when there are **no significant imbalances** between exports and imports, the real **purchasing power of** the domestic currency is less likely to change dramatically. As a result, **NEER and REER are more likely to converge** because there are fewer distortions in both nominal exchange rates and real purchasing power, leading to a closer alignment between the two measures of exchange rates.

19. Solution: (a)

Exp) Option a is the correct answer.

A foreign exchange swap, forex swap, or FX swap is a simultaneous purchase and sale of identical amounts of one currency for another on two different dates.

Statement 1 is correct. The Reserve Bank of India will conduct a long-term forex swap auction which is aimed at improving domestic liquidity conditions. It will inject domestic currency in the market (Indian rupees) in exchange of dollars from the bank. This is much needed given the latest crunch of currency/liquidity in the market and the IL&FS breakdown.

Statement 2 is incorrect: The forex swap will work in the following ways:

- The swap is in the nature of a simple buy/sell foreign exchange swap with the RBI.
- Under the buy/sell foreign exchange swap, a bank will sell dollars to the RBI and simultaneously agree to buy the same amount of dollars at the end of the swap period. The bank buys back the dollars and not rupees at the end of the swap period.
- Banks would likely bid to swap dollars at a forward rate, which is lower than the market rate. A cut-off would be determined based on the number of bids received.

20. Solution: (c)

Exp) Option c is the correct answer.

In international finance, currencies are often categorised as either hard or soft currencies based on their stability and level of convertibility. **Hard currencies** are those with a high level of stability, widely accepted in global trade and financial transactions. On the other hand, **soft currencies** are characterised by their susceptibility to frequent fluctuations in value, often due to economic instability or weak financial policies.

Soft currency refers to **a currency that is prone to rapid and substantial fluctuations in value, primarily due to factors such as economic instability, political uncertainty, or weak financial policies** within the issuing country. Nations with soft currencies often face challenges such as high inflation rates, frequent currency devaluations, and struggles in maintaining stable exchange rates against other currencies. These currencies are generally viewed as riskier by investors and traders due to their volatility and lack of stability compared to stronger counterparts known as hard currencies. **Hard currencies, by contrast, are characterised by their stability, widespread acceptance in global trade and finance,** and lower risk of significant value fluctuations. Such currencies mostly exist in developing countries with relatively unstable governments.

21. Solution: (d)

Exp) Option d is the correct answer.

In the context of Balance of Payment, Unrequited transfers across national borders are one-sided transactions. Suppose, for example, that the Japanese government donates to the Kyrgyz Republic buses for public transportation. To deal with such transactions, which involve no financial compensation, the balance of payments methodology includes a category called "transfers."

Option 1 is correct: There is a distinction between current and capital transfers. **Current transfers include grants in cash or in kind made by governments or international organisations to other institutional units, which results in an increase in income and consumption in the recipient economy**. These current transfers are further categorized into- a) general government, b) other sectors, which include private transfers.

Option 2 is correct: When a **transfer of cash is linked to/ conditional upon the acquisition or disposal of fixed assets by one of the parties, it is considered as a capital transfer**. For example, investment grants are considered as capital transfers as they are meant to finance all or part of the costs of acquiring fixed assets. The capital transfers are shown under the Capital Account in BoP.

Option 3 is correct: Other examples of private transfers include- grants, gifts, and **migrants' transfers by way of remittances for family maintenance,** repatriation of savings. Transfers of financial and real resources linked to a change in the resident status of migrants are also considered as private transfers.

22. Solution: (a)

Exp) Option a is the correct answer.

Currency convertibility refers to the freedom to convert domestic currency into other internationally accepted currencies and vice versa for exports and imports of goods and services, factor income and unilateral transfers.

Statement 1 is correct: Article VIII of the Agreement of International Monetary Fund (IMF) specifically **puts obligation on the member countries to avoid restrictions on making of payments and transfers for current international transactions**. It states that approval of IMF is required for imposing such restrictions. Article VI also provides for members not to restrict payment for current transactions or unduly delay transfer of funds in settlement

of commitments. Hence, IMF restricts members from putting restrictions on current account transactions.

Statement 2 is incorrect: Full current account convertibility has been effective in India since early 1990s. On the other hand, **Tarapore Committee** was set up to recommend on the capital account convertibility. **It submitted its report in May, 1997**. The second Tarapore Committee was set up to recommend a framework for fuller capital account convertibility and its report was made public in 2006. In other words, **full current account convertibility was already in place even before the report of Tarapore Committee.**

23. Solution: (a)

Exp) Option a is the correct answer.

External Commercial Borrowings (ECBs) are commercial loans raised by eligible resident entities from recognized non-resident entities. ECBs are subjected to various regulations and must conform to parameters such as minimum maturity, permitted/ non-permitted end uses, maximum all-in cost ceiling etc.

Statement 1 is correct: An ECB can be denominated in both foreign currency as well as Indian National Rupee (INR). However, they are regulated differently. For example, registered societies/ trusts/ cooperatives/ Non-Government Organizations (NGOs) which are not eligible to raise Foreign Direct Investments (FDI) can only raise ECB denominated in Rupee (and not foreign currency denominated ECB)

Statement 2 is incorrect: Working capital means funds needed for day-to-day operations of an entity. **In general, ECBs are not permitted for meeting working capital needs. However, RBI has prescribed certain exceptions in this regard.** For example, ECB can be raised from foreign equity holder for working capital purposes, subject to Minimum Average Maturity Period (MAMP) of 5 years. Hence, **there is no absolute or strict prohibition on raising ECB for working capital purposes.**

Statement 3 is incorrect: Raising ECB for investment in capital market is strictly prohibited. Other items for which proceeds of ECB cannot be utilized include:

1) **Real estate activities**
2) **Equity investments**
3) Working capital purposes (subject to exceptions)
4) General corporate purposes (subject to exceptions)
5) Repayment of Rupee loans (subject to exceptions)
6) On lending to an entity for above mentioned purposes (subject to exceptions)

Important Tips

All eligible borrowers can raise ECB up to USD 750 million or equivalent per financial year under the automatic route. However, the automatic route limit has been increased from USD 750 million or equivalent to USD 1.5 billion or equivalent. This relaxation is available for ECBs to be raised till December 31, 2022.

24. Solution: (c)

Exp) Option c is the correct answer.

Currency depreciation is a **fall** in the **value** of a **currency** in a **floating exchange rate** system. Rupee depreciation means that **the rupee** has become **less valuable** with respect to the dollar.

Option 1 is correct. Currency depreciation can occur due to factors such as -

Lower interest rates - In an Expansionary monetary policy, a central bank lowers the interest rates. The higher the interest rate, the higher will be the demand for that currency. Lower interest rates **usually decrease the demand for a currency.** The reason investors look to buy currencies with **higher interest rates** is it **creates an additional rate of return on their currency exchange.**

Option 2 is correct. Rising inflation: Inflation is the **rise in prices** of goods and services. Rising Inflation means **less purchasing power of money** in market. Hence the rupee is depreciated

Additionally, inflation can lead to higher input costs for exports, which then makes a nation's exports less competitive in the global markets. This will widen the trade deficit and cause the currency to depreciate.

Option 3 is correct. Declining Economic growth: The **strength of an economy** can goes a long way to boosting the strength of the nation's currency. A strong growth rate in a country will see a growing demand for products and services with better job prospects for workers as well as **being an attractive destination** for capital and investments. Hence it appreciates the currency.

However, declining economic/GDP growth rate make it an unattractive destination for investors resulting in depreciation of currency.

Option 4 is correct. Negative Balance of Payment - Current account balance: it is the **total amount of goods, services, income and current transfers** of a country against all of its trading partners.

A positive current account balance signals that a country lends more to its trading partners than it borrows, and a deficit current account balance shows that the country borrows more from its trading partners than it lends.

This total amount of trade can influence the country's exchange rate positively if there is more demand for that country's goods (and currency) from other countries. **A deficit or borrower country will see less demand for its own local goods and currency overall.**

25. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: FPIs are not allowed to invest in unlisted shares. However, an exception has been made by permitting them to invest in **unlisted non-convertible debentures/bonds issued by an Indian company in the infrastructure sector**, where 'infrastructure' is defined in terms of the extant External Commercial Borrowings (ECB) guidelines

Statement 2 is incorrect: Foreign Portfolio Investment (FPI) is regulated by the Securities and Exchange Board of

India (SEBI), and investors must register with them before they can start investing in Indian financial markets. On the other hand, **Foreign Direct Investment (FDI) is generally regulated by the Reserve Bank of India (RBI)**.

Statement 3 is correct: Capital Account: It shows the capital expenditure and income for a country. It gives a summary of the net flow of both private and public investment into an economy. External Commercial Borrowing (ECB), **Foreign Direct Investment, Foreign Portfolio Investment, etc. form a part of the capital account.**

26. Solution: (d)

Exp) Option d is the correct answer.

External Commercial Borrowings are commercial loans widely used by eligible resident entities who raise ECBs from recognised non-resident entities.

In India,

	FCY denominated ECB	INR denominated ECB
Currency of borrowing	Any freely convertible Foreign Currency	Indian Rupee (INR)
Eligible borrowers	All entities eligible to receive FDI. Further, the following entities are also eligible to raise ECB: i. Port Trusts; ii. Units in SEZ; iii. SIDBI; and iv. EXIM Bank of India.	a) All entities eligible to raise FCY ECB; and b) Registered entities engaged in micro-finance activities, viz., registered Not for Profit companies, registered societies/trusts/ cooperatives and Non-Government Organisations.

27. Solution: (c)

Exp) Option c is the correct answer.

Trade barriers are restrictions imposed on the movement of goods between countries. Trade barriers are imposed not only on imports but also on exports. The trade barriers can be broadly divided into two broad groups: (a) Tariff Barriers, and (b) Non-tariff Barriers.

A tariff is a customs duty or a tax on products that move across borders. The most important of tariff barriers is the customs duty imposed by the importing country. A tax may also be imposed by the exporting country on its exports. However, governments rarely impose tariffs on exports, because countries want to sell as much as possible to other countries. Whereas, **A non-tariff barrier** is any barrier other than a tariff that raises an obstacle to the free flow of goods in overseas markets. Non-tariff barriers **do not affect the price of the imported goods, but only the quantity of imports.**

Option 1 is correct. It refers to the direct restriction on the quantity of goods that can be imported into a country during any period. In other words, quotas limit the quantity of imports of any commodity coming into a country during a certain period of time. This is normally done through giving of import licenses to the importers. For example, the United States has a quota on cheese imports; India has a quota on import of gold.

Option 2 is correct. Some countries require that goods entering their boundaries meet certain requirements in terms of packaging, labeling and testing standards. Such countries allow the sale of only those goods which satisfy these standards. It does not affect the price but only restricts the Quantity of goods imported.

Option 3 is incorrect. Anti-dumping duties are levied on goods that are imported at a substantially low price whereas countervailing duties are levied on subsidized products in the originating or exporting country. It impacts the price of the goods and services imported.

Option 4 is correct. A local content requirement is a requirement that some fraction of the product must be produced locally or in the domestic market. The requirement can either be expressed in physical terms (70% of the parts of the product) or in value terms (70% of the value of the product). It ensures that at least a certain portion of the product must be produced or procured locally, creating a non-tariff barrier.

28. Solution: (a)

Exp) Option a is the correct answer.

Before GST, any taxes on import (customs duties) of inputs required to manufacture exported products were refunded through Merchandise Export of India Scheme (MEIS) by giving Duty Credit Scrips to exporters. However, WTO said that the MEIS scheme is not compliant with the WTO trade rules, and in 2020 it was replaced by **Remission of Duties or Taxes on Exported Products (RoDTEP).** Under the new RoDTEP scheme, these taxes will be refunded to exporters in their ledger accounts with Customs. The credits can be used to pay basic customs duty on imported goods/raw materials. The scheme is available for all kinds of exports from 1st Jan 2021.

Statement 1 is correct. The primary goal of RoDTEP is to refund taxes and duties that are not rebated under any other scheme. This includes various central, state, and local duties/ taxes/ levies that are incurred in the process of manufacturing and distribution of exported products but are not refunded through schemes like GST (Goods and Services Tax) or Duty Drawback scheme.

Statement 2 is correct. Re-exported products are not eligible under this scheme. Re-exporting refers to the movement of goods that have already been imported into a country but are then exported to that same country or to a different one.

Statement 3 is incorrect. The Government of India has announced extension of the RoDTEP Scheme support to additional export sectors i.e. Advance Authorisation (AA) holders, Export Oriented Units (EOU) and Special Economic

Zones (SEZ) export units. This decision comes in recognition of the significant contribution these sectors make to India's Exports, constituting approximately 25% of exports.

29. Solution: (d)

Exp) Option d is the correct answer.

The **international investment position (IIP)** is a statistical statement that shows at a point in time the value and composition of:

- external **financial assets** of residents of an economy that are claims on non-residents and gold bullion held as reserve assets, and
- external **financial liabilities** of residents of an economy to non-residents.

The difference between an economy's external financial assets and liabilities is the economy's **net international investment position (NIIP)**, which may be positive or negative. Respectively, the NIIP provides an aggregate view of the net financial position (assets minus liabilities) of a country via-à-vis the rest of the world. A **positive NIIP (assets higher than liabilities)** qualifies an economy as net creditor, a **negative NIIP (liabilities higher than assets)** as net debtor nation, allowing for measuring the extent of external financial exposure of a country

Statement I is incorrect. India has Negative NIIP as the liabilities are higher than the assets.

Statement II is correct. The assets owned by Indians outside India is less than assets owned by foreigners in India. Which means that Liabilities are higher than assets, resulting into Negative NIIP

30. Solution: (b)

Exp) Option b is the correct answer.

Option b is correct: Sterilization refers to the actions taken by the RBI to counteract the unintended effects of its foreign exchange interventions on the domestic money supply.

The RBI sometimes intervenes in the foreign exchange market to:

1) Buy foreign currency (like US dollars): This is done to weaken the rupee (Indian currency) and make exports more competitive.
2) Sell foreign currency: This is done to strengthen the rupee to control inflation caused by imported goods becoming more expensive.
3) When the RBI buys foreign currency, it pays rupees to domestic banks to acquire those dollars. This injects new rupees into the banking system, potentially increasing the money supply.
4) Conversely, selling foreign currency involves taking rupees out of the banking system, potentially reducing the money supply.

31. Solution: (b)

Exp) Option b is the current answer.

Option b is correct: A "reverse currency war" refers to a situation in international economics where central banks compete to strengthen their domestic currencies, contrasting the traditional currency war where the focus is on weakening them.

Traditional Currency War:

1) Traditionally, a currency war involved countries deliberately weakening their currencies to gain a competitive advantage in international trade. This made their exports cheaper in the global market.

Reverse Currency War:

1) In a reverse currency war, central banks might raise interest rates to attract foreign capital inflows. This increased demand for their currency can lead to its appreciation (strengthening).

For example- The United States Federal Reserve raised interest rates in 2022 to combat inflation.

This made the US dollar more attractive to investors seeking higher returns. As a result, there was a lot of demand for dollars, which drove up its value compared to other currencies like the Euro.

This situation can be damaging for other countries:

Their exports become more expensive for US consumers to buy. Imported goods from the US become cheaper, potentially hurting domestic producers.

32. Solution: (d)

Exp) Option d is the correct answer.

ECBs are loans taken by Indian companies from foreign lenders in foreign currency. These loans can be used for various purposes, such as infrastructure development, project financing, and technology upgradation.

Current Account Convertibility (CAC) refers to the freedom to convert a country's domestic currency into foreign currency for current account transactions. These transactions include international trade in goods and services.

Statement-I is incorrect: Companies can borrow up to a specific limit and not any amount (as per RBI guidelines) without prior RBI approval. This limit varies depending on the borrower's category and credit rating.

- The maximum amount of ECB which can be raised by a corporate other than those in the hotel, hospital and software sectors is USD 750 million or its equivalent during a financial year.
- Corporates in the services sector viz. hotels, hospitals and software sector are allowed to avail of ECB up to USD 200 million or its equivalent in a financial year for meeting foreign currency and/ or Rupee capital expenditure for permissible end-uses. The proceeds of the ECBs should not be used for acquisition of land.
- ECB up to USD 20 million or its equivalent in a financial year with minimum average maturity of three years.

- ECB above USD 20 million or equivalent and up to USD 750 million or its equivalent with a minimum average maturity of five years.
- NGOs engaged in micro finance activities and Micro Finance Institutions (MFIs) can raise ECB up to USD 10 million or its equivalent during a financial year. Designated AD bank has to ensure that at the time of drawdown the forex exposure of the borrower is fully hedged.
- ECB up to USD 20 million or equivalent can have call/put option provided the minimum average maturity of three years is complied with before exercising call/put option.
- All eligible borrowers can avail of ECBs designated in INR from 'foreign equity holders' as per the extant ECB guidelines.
- NGOs engaged in micro finance activities can avail of ECBs designated in INR, from overseas organizations and individuals as per the extant guidelines.

The limit for the automatic route is **generally USD 750 million for manufacturing companies and USD 500 million for other sectors.**

Statement-II is correct: India adopted a convertible rupee in 1991, signifying a significant degree of Current Account Convertibility (CAC). This means companies and individuals can generally conduct current account transactions freely, with minimal restrictions.

33. Solution: (c)

Exp) Option c is the correct answer.

Fed tapering refers to the gradual reduction of the Federal Reserve's (USA) monthly bond purchases, a key tool used to stimulate the economy. This process aims to normalize monetary policy by scaling back the extraordinary support provided during economic downturns, potentially impacting interest rates, asset prices, and economic growth.

Option 1 is correct: India is a major importer of commodities such as oil and gold. Changes in global liquidity conditions due to Fed tapering can influence commodity prices. Reduced liquidity can lead to a rise in commodity prices.

Option 2 is incorrect: Fed tapering might not necessarily lead to increased foreign investment in India. It could have the **opposite effect due to capital outflows seeking higher returns elsewhere.**

Option 3 is correct: Tapering not only means the end of the central banks' expansionary policies, it also signals the eventual onset of monetary tightening. That, for one, means **higher interest rates on mortgages, consumer loans, and business borrowing**. Hence it can promote **capital flight leading to a stronger dollar which can put downward pressure on the rupee's value, causing depreciation.**

Option 4 is correct: A stronger US dollar due to tapering can make imports into India more expensive. This can contribute to imported inflation, where the cost of imported goods increases.

34. Solution: (a)

Exp) Option a is the correct answer.

Tax avoidance involves legally exploiting the tax system to reduce current or future tax liabilities by means not intended by the law. It differs from tax evasion, which is illegal.

Statement 1 is correct: GAAR (General Anti-Avoidance Rules) is specifically designed to curb aggressive tax planning strategies that exploit legal loopholes to avoid taxes, ensuring that transactions or arrangements are executed with a genuine commercial purpose.

Statement 2 is incorrect: GAAR provisions apply to all the arrangements entered into on or after April 1, 2017. It does not apply retrospectively to transactions carried out before this date, ensuring fairness to taxpayers who might have entered into arrangements under the previous tax regime.

Important Tips

1) The Parthasarthy Shome Panel was set up in 2012 for drawing up the final guidelines on GAAR. In 2007, Vodafone entered the Indian market by buying Hutchison Essar. The deal took place in Cayman Islands.
2) On 20 January 2012, the Supreme Court of India gave the verdict in favour of Vodafone, saying that Vodafone did not owe any capital gain taxes. On 16 March, GAAR was presented to the Parliament by Pranab Mukherjee, who stated that its objective was to counter aggressive tax avoidance schemes.

35. Solution: (b)

Exp) Option b is the correct answer.

IPEF was launched jointly by the USA and other partner countries of the Indo-Pacific region on May 23, 2022 at Tokyo.

Statement 1 is correct. IPEF is launched by USA and its partner countries. It is a **framework to strengthen economic engagement** among partner countries with the goal of advancing growth, peace and prosperity in the region.

Statement 2 is incorrect. IPEF is **not a free trade agreement**. But the IPEF agenda addresses supply chain issues, regulatory issues, non-tariff barriers, digital trade, climate action and due diligence issues that matter to investors.

Statement 3 is correct. Under the **Fair Economy (Pillar-IV),** IPEF partners aim to strengthen implementation of effective anti-corruption and tax measures to boost commerce, trade, and investment among IPEF economies. This will strengthen the joint resolve to **fight against corruption, money laundering and terror financing.**

Statement 4 is incorrect: India is not the founding member of IPEF but India joined IPEF in 2023. The IPEF framework is structured around four pillars relating to Trade (Pillar I); Supply Chains (Pillar II); Clean Economy (Pillar III); and Fair Economy (Pillar IV). **India had joined Pillars II to IV of IPEF** while it has an **observer status in Pillar-I.**

Important Tips

PEF has 14 partner countries including Australia, Brunei, Fiji, **India,** Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam & USA.

36. Solution: (c)

Exp) Option c is the correct answer.

The Ukraine conflict and subsequent sanctions on Russia have sparked discussions about the role of the US Dollar (USD) as the world's reserve currency.

Option a is incorrect: The reserve currency **should not be subjected to restrictive controls** by its issuing government.

Option b is incorrect: A currency's recognition as a reserve currency relies on its **widespread availability in the market.** The issuing nation should be prepared to increase the currency's supply as demand for reserves grows.

Option c is correct: A reserve currency must be liquid and widely accepted. It should be readily accepted by numerous countries and free from restrictive controls imposed by its issuing country. The US Dollar is highly credible in this regard, while the Chinese Renminbi has lower credibility.

Option d is incorrect: The **currency of a nation with high economic growth is not inherently a reserve currency.** For instance, the Indian Rupee, despite belonging to one of the largest economies, does not qualify as a reserve currency.

37. Solution: (b)

Exp) Option b is the correct answer.

A Global Depositary Receipt (GDR) is a tradable financial security that represents shares in a foreign company. GDRs enable a company (the issuer) to access investors in capital markets beyond the borders of its own country.

Statement 1 is correct. A global depositary receipt (GDR) is a negotiable **financial instrument issued by a depositary bank.** It represents **shares in a foreign company** and **trades on the local stock exchanges** in investors' countries. In the Indian context consider the following example-

1) An **Indian company** decides to raise capital internationally. They partner with a foreign bank, called the **depositary bank.**
2) The depositary bank **purchases shares** of the Indian company.
3) The depositary bank then **issues GDRs,** each representing a certain number of shares in the Indian company.
4) These GDRs are then **sold to investors on foreign stock exchanges.**

Statement 2 is incorrect. Indian companies can list their shares on foreign exchanges through **GDR and American Depository Receipts (ADR).** Also from October 30, 2023, the Ministry of Corporate Affairs (MCA) has allowed certain Indian companies to **directly list on select foreign stock exchanges** under the powers conferred by sub-section (2) of section 1 of Companies (Amendment) Act, 2020. The amendment empowered the central government to allow certain classes of public companies to list prescribed classes of securities in foreign jurisdictions. This essentially means certain classes of domestic public companies can be listed on prescribed foreign stock exchanges, including GIFT IFSC, Ahmedabad.

Statement 3 is correct. In the Indian context, Depository Receipts- GDR and ADR, are treated as FDI.

38. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: Vostro account refers to a bank account that a domestic bank maintains for a foreign bank, typically denominated in the domestic currency of the former.

1) **This essentially allows the foreign bank to hold and manage funds in the domestic currency without establishing a physical presence in that country.**
2) **Vostro accounts enable a range of cross-border activities.** The domestic bank holding the Vostro account can credit or debit funds on behalf of the foreign bank, facilitating international payments, trade settlements, and currency exchange.
3) These accounts contribute to smoother international financial transactions, promoting trade and investment flows.
4) **Union Bank of India achieves a significant milestone by becoming the inaugural bank in India to establish a Special Rupee Vostro Account** in collaboration with its corresponding bank, India International Bank of Malaysia, marking a pioneering step in bilateral financial cooperation.
5) **HDFC Bank and UCO Bank, along with numerous other banks, have initiated the opening of nearly 30 special vostro accounts,** facilitating cross-border trade transactions denominated in Indian rupees, thus enhancing the efficiency and accessibility of international trade operations

Important Tips

A Nostro account, the counterpart to a Vostro account, is a deposit account held by a foreign bank (Bank B) for a domestic bank (Bank A). This allows Bank A to hold funds in Bank B's currency and conduct transactions in that foreign currency. It simplifies international business by enabling domestic banks to operate in foreign currencies without a local branch.

39. Solution: (d)

Exp) Option d is the correct answer.

The Local Currency Settlement System (LCSS) is a cross

border payment mechanism which allows trading entities from two countries to make payments in their own national currencies. Unlike the multilateral settlement system that is followed under the Bretton Woods System, the LCSS are largely bilateral agreements and arrangements.

Statement 1 is correct: The use of Indian rupee for international settlement would **enable exporters and importers to use their respective domestic currencies for the settlement instead of the foreign currency such as US Dollars. This would bring down the dollar demand to pay for the imports from other countries.**

Statement 2 is correct: Transaction costs is **monetary exchange rates when a transaction takes place in another currency.** When transactions are conducted in local currency, there is no need to convert currencies and avoiding exchange fees charged by banks or currency exchange services inturn **optimizing the transaction costs**

Statement 3 is correct: When the exporters / sellers of the two countries are encouraged to use the home currencies, it **eliminates exchange-risk and thus discovering competitive pricing for exporters.** The focus on denominating export contracts and invoices in the local currency helps avert exchange-rate risks (such as when a third currency is being used as a standard), which further facilitates the scope to discover competitive pricing. Moreover, it could also lead to enhanced avenues for cooperation among the banking systems of the two countries, thereby contributing to the expansion of trade and economic activity for both.

Statement 4 is correct: Invoicing and settlement of international-trade transactions in Indian rupees with oil-exporting countries or countries will reduce the need of foreign currency. This decreased reliance on foreign currency can help mitigate the outflow of foreign exchange reserves, which contributes to reducing the current account deficit.

40. Solution: (a)

Exp) Option a is the correct answer.

The ECGC Ltd. (formerly known as Export Credit Guarantee Corporation of India Ltd.) was set up in 1957 with the objective of promoting exports from the country by providing credit risk insurance and related services for exports.

Statement 1 is correct: The ECGC is an export promotion organization **wholly owned by government of India.** It is under the ownership of Ministry of Commerce and Industry, Government of India based in Mumbai, Maharashtra. It provides export credit insurance to Indian exporters and banks.

Statement 2 is incorrect: ECGC is seeking to improve the competitiveness of the Indian exports by providing them with credit insurance covers. ECGC provides a range of **insurance covers** to Indian exporters against **the risk of non-realization of export proceeds due to commercial or political risks.**

Statement 3 is incorrect: Over the years the Export Credit Guarantee Corporation of India has proved to be useful to Indian exporters. ECGC provides **90 per cent insurance cover for exporters with a credit limit of Rs 50 crore.** Exporters **previously used to get an insurance cover of 60 per cent, which was increased to 90 per cent in 2022.**

41. Solution: (b)

Exp) Option b is the correct answer.

The Partnership for Global Infrastructure Investment (PGII) is an initiative by the Group of Seven (G7) nations launched in 2022. It aims to be a significant source of funding for infrastructure development in low- and middle-income countries, offering an alternative to China's Belt and Road Initiative (BRI).

Statement 1 is incorrect: The Partnership for Global Infrastructure Investment (PGII) is an initiative by the Group of Seven (G7) nations, not the World Bank. The Group of Seven (G7) is an informal grouping of seven of the world's advanced economies, including Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States, as well as the European Union. The G7 was born as a result of the huge economic problems facing the world in the 1970s.

Statement 2 is correct: the PGII was officially launched as a joint initiative to help fund infrastructure projects in developing countries through public and private investments. It aims to promote high-quality, transparent, and environmentally friendly infrastructure development in partner countries.

42. Solution: (c)

Exp) Option c is the correct answer.

Non-tradable services are those that cannot be easily exported or imported due to their inherent characteristics. They are typically consumed in the location where they are produced.

Option 1 is incorrect: Software development can be a tradable service. Software code can be developed in one location and exported electronically to be used elsewhere.

Option 2 is correct: Education (primary, secondary, and higher education) is primarily a non-tradable service. While online education can have some cross-border aspects, most educational institutions serve a local student population. **Education (primary, secondary, and higher education) is primarily a non-tradable service because:**

1) **Physical Infrastructure:** Schools and universities rely heavily on physical infrastructure like classrooms, labs, libraries, etc. These facilities primarily serve local students.
2) **Regulation and Accreditation:** Educational institutions operate under regulations and accreditation specific to their country or region. Recognition of foreign credentials can be a complex process, limiting easy trade.

Option 3 is correct: Health care (hospitals, doctor visits) is a non-tradable service. Hospitals and doctors typically serve patients within a specific geographic area. Also following factors are responsible for it being a non-tradable service:

1) **Physical Presence:** Most medical procedures and diagnoses require the physical presence of both patient and provider. This makes it impractical to "export" healthcare services in the traditional sense.
2) **Regulation and Licensing:** Medical professionals are licensed and regulated by local authorities. Recognition of foreign licenses can be a hurdle, limiting healthcare trade.
3) **Infrastructure and Equipment:** Hospitals and clinics rely on specialized equipment and facilities not easily transportable.

Option 4 is correct: Construction (building houses, roads) is a non-tradable service. Buildings, roads, and other infrastructure projects are constructed for local use.

43. Solution: (c)

Exp) Option c is the correct answer.

The Reserve Bank of India (RBI) maintains forex reserves to stabilize currency value and meet external payment obligations. These reserves comprise foreign currencies, gold, and Special Drawing Rights (SDRs). Adequate reserves bolster confidence in the economy, mitigate currency volatility, and facilitate international trade and payments.

Option 1 is correct: Foreign currency assets is a major component of India's forex reserves and includes holdings of foreign currencies like US dollars, euros, and yen.

Option 2 is correct: A reserve tranche position is the part of a country's quota in the International Monetary Fund (IMF) that can be accessed readily without fees or conditions. It acts as a first line of defense for a country facing temporary balance of payment issues. **It is part of India's readily available reserves.**

Option 3 is correct:: Special Drawing Rights (SDRs) are an artificial reserve asset created by the IMF. They are not a currency but a basket of major currencies. SDRs supplement countries' foreign exchange reserves and can be used for international transactions. **India's holding of SDRs is part of its forex reserves.**

Option 4 is correct: Gold bullion held by the RBI is a significant component of India's forex reserves. Gold is considered a safe-haven asset. Its value tends to hold steady or even increase during times of economic or political turmoil when other assets like stocks or bonds might become volatile. This provides the RBI with a buffer against financial crises.

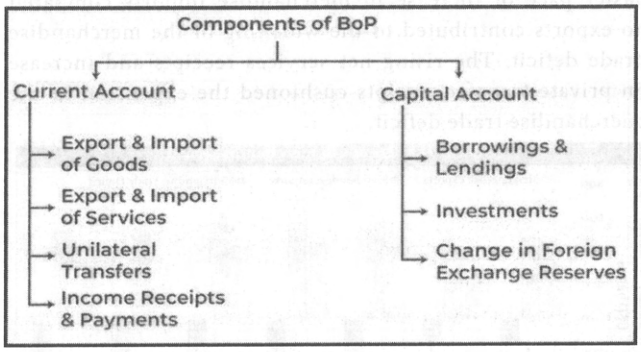
Option 5 is incorrect: Loans from multilateral banks like the World Bank are external liabilities, not reserves. The RBI repays these loans with interest

1) Reserves are meant to be highly liquid. Multilateral bank loans have specific repayment schedules and may not be readily available for immediate needs.
2) Reserves are for maintaining external financial stability. Loans are used for specific developmental goals.

44. Solution: (c)

Exp) Option c is the correct answer.

Pair 1 is incorrectly matched- The **balance of payments (BOP)** is a comprehensive record of a **country's economic transactions** with the **rest of the world** over a specific time frame, like a quarter or a year. It encompasses both visible items, which include tangible goods like **imports and exports**, and invisible items, such as intangible services like **tourism and financial services.** On the other hand, **foreign currency sterilization** is a **monetary policy operation** in which a **central bank buys foreign currency assets** and **sells its own domestic currency assets** in order to **offset the increase in the money supply** that results from the foreign currency purchase.



Pair 2 is correctly matched- Inflation is the rate at which the **prices of goods and services are rising over time.** It is measured as a **percentage change in the price index,** which is a basket of goods and services that are commonly purchased by households. The **Reserve Bank of India** uses the **Consumer Price Index** as a **main tool to measure inflation** in India.

Pair 3 is correctly matched- Devaluation of currency is the **deliberate downward adjustment of the value of a country's currency relative to another currency** or standard. It is typically done by the government to make a **country's exports more competitive** in the global market.

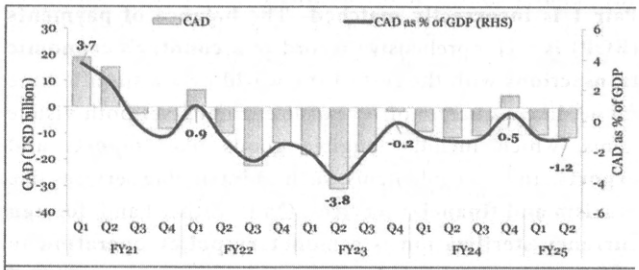
Pair 4 is correctly matched- Currency depreciation is when a **currency's value falls compared to another or a standard,** and it can result from various factors like **economic weaknesses, political instability, and the dynamics of supply and demand for the currency** in the market.

45. Solution: (d)

Exp) Option d is the correct answer.

The current account balance of payments is a record of a country's international transactions with the rest of the world. The current account includes all the transactions (other than those in financial items) that involve economic values and occur between resident and non-resident entities.

Statement-I is incorrect. India experienced a current account surplus in the financial year 2020-21. India experienced a current account surplus of 3.7% of the GDP in that financial year. However, since then, the country has been experiencing current account deficit only.



Source: RBI press release on developments in India's Balance of Payments during the second quarter (July-September) of 2024-25

Statement-II is correct. India consistently had a merchandise trade deficit in the last five years. The faster pace of increase in merchandise imports compared to exports contributed to the widening of the merchandise trade deficit. The rising net services receipts and increase in private transfer receipts cushioned the expansion in the merchandise trade deficit.

Source: DGCIS, M/o Commerce & Industry

Thus, **Statement-I is incorrect but Statement-II is correct.**

46. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: External debt is the part of country's total debt borrowed from foreign lenders, including commercial banks, government institutions or international financial institutions. It can be denominated in any currency (both foreign as well as domestic currency).

Statement 2 is correct: The external debt of Union government in India is managed by **External Debt Management Unit (EDMU) in the Department of economic Affairs**, Ministry of Finance.

Statement 3 is incorrect: The **external debt owed by non-sovereign entities is greater than that of government entities.** The external debt owed by Government organisations also known as **sovereign external debt (SED) amounted to US$ 133.1 billion,** whereas the debt owed by non- sovereign entities known as **non-Sovereign debts amounts to US$ 502.2 billion,** at the end of September 2023.

47. Solution: (a)

Exp) Option a is the correct answer.

The **Washington Consensus** refers to a **set** of **broadly free-market economic ideas**, initially proposed in **1989**. It represents a **consensus among Washington-based institutions** like the **IMF, World Bank**, and the **US Treasury Department** on the most effective policy measures that developing countries should adopt to foster economic growth.

Option a is correct:

1) The **main objective** of the **Washington Consensus** was to **provide a set of standardized policy recommendations** for **crisis-wrecked developing countries.**
2) These **policies** included **fiscal discipline, reordering public expenditure priorities, tax reform, market-determined interest rates, competitive exchange rates, trade liberalization**, and encouragement of **foreign direct investment**, among others.
3) The **consensus influenced economic reforms in India** during the 1980s, as the country sought to **integrate more closely with the global economy, liberalize** its **trade regime**, and **improve** its **investment climate.**

Option b is incorrect: While the **Washington Consensus did promote free trade**, its recommendations were **not limited to the Western Hemisphere or North America** but aimed at developing countries worldwide. It **emphasized general principles of economic liberalization** and integration into the global economy.

Option c is incorrect: Establishing a **global minimum corporate tax rate** was **not part** of the **Washington Consensus** recommendations. Such discussions have **gained prominence only in recent years**, well after the consensus was established. **OECD-led Inclusive Framework global minimum tax** 2023 is one such initiative.

Option d is incorrect: Encouraging developed countries to **allocate** a **fixed percentage** of their **GDP** to **aid developing countries**, while a notable goal, was **not a directive of the Washington Consensus**. The **consensus focused more on internal policy reforms** within developing countries rather than on external aid metrics.

48. Solution: (c)

Exp) Option c is the correct answer.

The **Liberalised Remittance Scheme (LRS)** is a framework introduced by the **Reserve Bank of India (RBI)** that allows **resident individuals** to remit funds abroad for permissible transactions. LRS plays a crucial role in integrating Indian residents into the global financial system while maintaining a check on capital outflows.

Statement 1 is correct. The LRS is strictly meant for **individual Indian residents (including minors)**, meaning that **corporations, partnership firms, Hindu Undivided Families (HUFs), and trusts are not eligible** to remit funds under this scheme. This ensures that the scheme is used primarily for personal purposes and does not facilitate large-scale business transactions abroad.

Statement 2 is correct. The scheme **explicitly allows remittances for personal purposes**, including **higher education, tourism, and medical treatment abroad.** Many Indian students use LRS to **pay tuition fees and living expenses** in foreign universities. Similarly, individuals traveling abroad can use LRS to **pay for hotel stays, shopping, or leisure activities.** Additionally, those seeking **medical treatment in foreign hospitals** can use the scheme to cover expenses, ensuring access to international healthcare facilities.

49. Solution: (a)

Exp) Option a is the correct answer.

The depreciation of the **Indian rupee** occurs when its value declines relative to foreign currencies, particularly the **US dollar**. A weaker rupee can make imports costlier, increase inflationary pressures, and affect economic stability.

Option 1 is correct. A higher **interest rate** makes India's **debt instruments and financial assets more attractive to foreign investors**, leading to **increased capital inflows**. When foreign investors bring in **US dollars** to invest in Indian bonds and deposits, the demand for the rupee rises, helping **curb depreciation**. However, increasing interest rates can **also slow down domestic economic growth** by making borrowing more expensive for businesses and consumers.

Option 2 is correct. Encouraging exports is a long-term strategy to **boost foreign exchange earnings**. If India exports more goods and services, it **earns more US dollars**, improving the **trade balance** and strengthening the rupee. The government can achieve this by **offering tax benefits, subsidies, and easing export regulations**

Option 3 is incorrect. Printing more rupees **does not strengthen** the currency; instead, it leads to **higher inflation** and further depreciation. An increased money supply without a corresponding rise in **economic output** leads to **excess liquidity**, reducing the purchasing power of the rupee. In extreme cases, this can cause **hyperinflation**, making the currency even weaker.

50. Solution: (a)

Exp) Option a is the correct answer.

The Indian rupee's steady decline against the US dollar has been a subject of concern for policymakers, businesses and consumers alike. The currency recently breached the Rs87 mark, having fallen from Rs. 74.5 on January 1, 2022, to Rs. 87.39 as of March 3, 2025.

Option 1 is correct. When the Rupee weakens, it means that there are more Rupee in the market when compared to the dollars. This **may lead to a rise in the general prices of goods and services** in the economy, especially in goods and services for which the country is import dependent.

Option 2 is correct. For economies like India, which are heavily dependent on import of crude oil, a weakened Rupee often **increases the cost of production of goods in the economy**. This further translates to inflation for the domestic consumers.

Option 3 is incorrect. When the Rupee weakens, it weakens investor confidence in the Indian economy, and results in an **outflow of foreign capital from the economy**, rather than an inflow.

51. Solution: (d)

Exp) Option d is the correct answer.

Foreign Currency Convertible Bonds (FCCBs) are **hybrid financial instruments** that combine the features of both **debt and equity**. They are issued by Indian companies to foreign investors **in a foreign currency** and can be **converted into equity shares of the issuing company at a later date.** Initially, they function as **debt** (loan), but if converted into shares, they become **equity investments.**

Statement I is incorrect. FCCBs are included in India's external debt because they are borrowed funds from foreign investors in foreign currency. The borrower (Indian company) is obligated to repay in foreign exchange unless the bonds are converted into equity. The Reserve Bank of India (RBI) and the Ministry of Finance classify FCCBs under External Commercial Borrowings (ECB), which forms a part of India's total external debt. Until conversion into equity, they remain a liability and contribute to external debt statistics. For example, Suppose Infosys issues FCCBs worth $500 million in the U.S. market. If the investors choose not to convert the bonds into Infosys shares, Infosys must repay the $500 million in U.S. dollars, increasing India's external debt.

Statement II is correct. FCCBs are initially debt instruments, but they carry an option for investors to convert them into equity shares of the issuing company. When investors choose to convert their FCCBs into shares, the investment is reclassified as FDI, as it results in foreign ownership of Indian company shares. The RBI and SEBI recognize FCCBs as a part of the broader FDI framework when conversion takes place. This flexibility makes FCCBs attractive for foreign investors since they can either earn fixed interest as debt or become shareholders in a growing company. For example, assume Tata Steel issues FCCBs worth $300 million to foreign investors. If investors decide to convert the bonds into Tata Steel's shares, it will be recorded as FDI, since foreign investors now own equity in the company.

52. Solution: (c)

Exp) Option c is the correct answer

The **internationalization of the Indian Rupee (INR)** refers to its increasing acceptance in **global trade, investments, and financial transactions**. When a currency becomes international, it is widely used **for cross-border transactions, held as reserves by foreign central banks, and considered stable for global settlements**

Option a is incorrect: When the Indian currency is used to make payments and buy things in a foreign country, it does not signify "internationalisation".

Option b is incorrect: The decrease in current and capital account deficit of the country will help in strengthening Indian rupee but not associated with Internationalization of Indian rupee.

Option c is correct: The Internationalisation of the Indian rupee means the currency will be used for international trade and cross-border payments.

Option d is incorrect: The Large scale increase in foreign investment in the country will increase **foreign exchange reserves**. It is directly not associated with Internationalization of Indian rupee.

53. Solution: (c)

Exp) option c is the correct answer.

External debt refers to the portion of a **country's debt that is borrowed from foreign lenders**, including commercial banks, governments, or international financial institutions. It is usually denominated in foreign currencies. The management of external debt is **crucial for the stability of a country's economy** as it reflects the country's ability to meet its foreign obligations. India's external debt has remained stable over the past few years. A stable external debt position has helped maintain external sector stability, significantly when the rest of the world is affected by geopolitical headwinds.

External Debt Position (Economic Survey 2024-25)

As per the data in the Economic Survey 2024-25, the external debt contribution for India as of September 2024 is distributed as follows:

1. **US Dollar (USD):** 53.4%
2. **Indian Rupee (INR):** 31.2%
3. **Special Drawing Rights (SDR):** 5%
4. **Euro (EUR):** 3%

Therefore, the correct answer is 1-4-2-3

54. Solution: (c)

Exp) Option c is the correct answer.

A **Currency War** occurs when governments **intentionally lower the value of their currency** to make **exports cheaper and more competitive** in international markets. This artificial devaluation helps boost domestic industries by making their goods cheaper abroad but can lead to **economic distortions and retaliatory measures from other countries**. For example, the USA **declared China a currency manipulator** when it allowed the **Yuan to depreciate** significantly against the dollar.

55. Solution: (d)

Exp) Option d is the correct answer.

Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) are two different ways in which foreign investors put their money into a country's economy. **FDI is a long-term investment where investors own and control businesses**, while **FPI is a short-term investment where investors buy shares or bonds but do not control the company**.

Statement 1 is incorrect. FDI is mainly invested in productive assets, such as **factories, industries, and businesses**, which contribute to economic growth and job creation. **FPI is investment in financial assets**, like **stocks and bonds**, which do not directly contribute to production or infrastructure.

Statement 2 is incorrect. The Economic Survey noted that the **Net FDI inflows to India** declined from USD 42.0 billion during FY23 to **USD 26.5 billion in FY24** as an impact of the decline in global FDI flows. It also emphasized that India witnessed positive **net foreign portfolio investment (FPI) inflows in FY24 of USD 44.1 billion. So net FPI inflow in India was more than the net FDI inflow.**

Important Tips

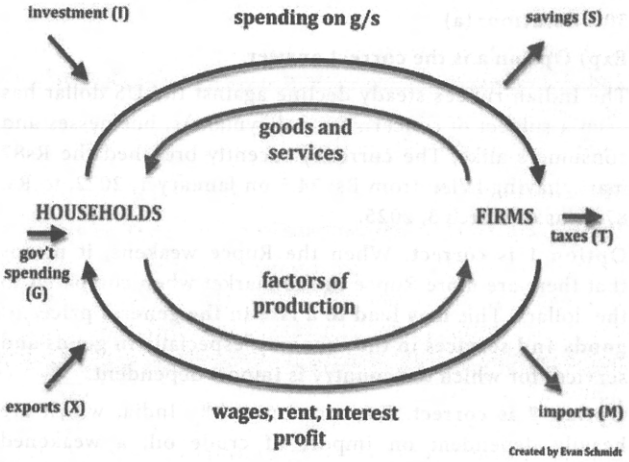
Differences between FDI and FPI

Feature	Foreign Direct Investment (FDI)	Foreign Portfolio Investment (FPI)
Type of Investment	Buying/building companies, setting up factories	Buying stocks and bonds
Time Frame	Long-term	Short-term
Control Over Business	Yes	No
Risk Level	Lower (but takes time to grow)	High (since stock prices change daily)
Liquidity (Easy to Withdraw Money?)	Hard to withdraw quickly	Very easy to sell and withdraw

56. Solution: (b)

Exp) Option b is the correct answer.

The circular flow of income is a simplified model of the economy that shows how money moves through different sectors.



Option b is correct: Leakages are the amount withdrawn from the flow of income. It could be in the form of savings by households in cash or spending on imports. On the other hand, injections are the amount added to the flow of income. Injections to the circular flow could be in the form of investment, government spending, subsidy, or export. Leakages are also called 'withdrawals' while injections are called 'additions'.

Imports are considered a leakage from the circular flow of income as it causes the outflow of money from the domestic economy. Example: when Indians buy foreign goods, this spending escapes as a leakage from the circular flow of income decreasing aggregate demand.

Option a is incorrect: Exports, on the other hand, **are considered injections** to the circular flow of income as they result in money inflow in the domestic economy.

Option c is incorrect: Inventories are the unsold goods, unused raw materials or semi-finished goods which a firm carries from year to the next. They **are not considered leakage from the circular flow of income** as they do not result in any outflow of money from the economy. Rather, they are part of the production process.

57. Solution: (c)

Exp) Option c is the correct answer.

Capital account convertibility means the freedom to conduct investment transactions without any constraints. Typically, it would mean no restrictions on the amount of rupees you can convert into foreign currency to enable you, an Indian resident, to acquire any foreign asset. Similarly, there should be no restraints on a NRI bringing in any amount of dollars or dirhams to acquire an asset in India.

Statements 1, 2 and 3 are correct. The recent moves towards Capital account convertibility include **increasing the foreign portfolio investment limits in the Indian debt markets, introducing the Fully Accessible Route (FAR)** — through which non-residents can invest in specified government securities without any restrictions and the **easing of the external commercial borrowing** framework by relaxing end-user restrictions. Inward FDI is allowed in most sectors, and outbound FDI by Indian incorporated entities is allowed as a multiple of their net worth.

Statement 4 is incorrect. Limitation on Non-Resident Indians to invest in Government securities **restrict the flow of currency** and hence it **does not aid** the process of full capital account convertibility in India.

58. Solution: (b)

Exp) Option b is the correct answer.

According to the International Monetary Fund, the International Investment Position (IIP) data reflects a country's external financial assets and liabilities at a specific point in time. It is a statistical statement that shows at a point in time the value of financial assets of residents of an economy that are claims on non-residents or are gold bullion held as reserve assets; and the liabilities of residents of an economy to non-residents.

59. Solution: (a)

Exp) Option a is the correct answer.

A trade barrier refers to any regulation or policy that restricts international trade, especially tariffs, quotas, licenses etc.

Statement 1 is correct: Tariffs are a type of protectionist trade barrier that can come in several forms. Tariffs may benefit a few domestic sectors. Tariffs are **paid by domestic consumers and not the exporting country**, but they have the effect of raising the relative prices of imported products.

Statement 2 is incorrect: The **World Trade Organisation agreements** in general follows the following principles:

a) Most Favored Nation- All nations should be treated equally. No one country can grant any other member country any special favour.

b) Non-Discrimination

c) National Treatment- Same treatment to all products, either local or foreigners.

d) Reciprocity- Lowering of import duties and other trade barriers in return for similar concessions from another country.

The Technical Barriers to Trade Agreement (TBT) tries to ensure that regulations, standards, testing and certification procedures do not create superfluous obstacles to trade. The WTO agreements **also allow exceptions** in some circumstances. Three of these issues are:

a) actions taken against dumping (selling at an unfairly low price)

b) subsidies and special "countervailing" duties to offset the subsidies

c) emergency measures to limit imports temporarily, designed to "safeguard" domestic industries.

Statement 3 is incorrect: Quotas are a type of nontariff barrier governments enact to restrict trade. **Quotas focus on limiting the quantities** of a particular good that a country imports or exports for a specific period, whereas tariffs impose specific fees on those goods.

Governments design **tariffs** to raise the overall cost to the producer or supplier seeking to sell products within a country. Tariffs **provide a country with extra revenue,** and they offer **protection to domestic producers** by causing imported items to become more expensive.

Quotas are more effective in restricting trade than tariffs, especially if domestic demand for something is not price sensitive. Applied selectively to various countries, they can be utilized as a coercive economic weapon.

Important Tips

Types of Trade barriers:

(a) Tariff Barriers. These are taxes on certain imports. They raise the price of imported goods, making imports less competitive.

(b) Non-Tariff Barriers. These involve rules and regulations which make trade more difficult. For example, if foreign companies have to adhere to complex manufacturing laws it can be difficult to trade.

(c) Quotas. A limit placed on the number of imports.

(d) Voluntary Export Restraint - Similar to quotas, this is where countries agree to limit the number of imports.

(e) Subsidies. A domestic subsidy from the government can give the local firm a competitive advantage.

(f) Embargo. A complete ban on imports from a certain country.

60. Solution: (a)

Exp) Option a is the correct answer.

The Foreign Direct Investment (FDI) approval process in India is administered by the Department for Promotion of Industry and Internal Trade (DPIIT) through the Foreign Investment Facilitation Portal (FIFP). The FIFP is a single point interface of the Government of India for investors to facilitate FDI.

Statement 1 is correct: FDI under the automatic route does not require prior approval from any government authorities. Investors can make FDI in sectors falling under the automatic route without seeking approval. However, they are required to notify the Reserve Bank of India (RBI) within a stipulated period after the investment.

Statement 2 is incorrect: The **responsibility for formulating FDI policies and regulations** lies with the Department for Promotion of Industry and Internal Trade (**DPIIT**) functioning under the Union Ministry of Commerce and Industry.

61. Solution: (c)

Exp) Option c is the correct answer.

An **Indian Depository Receipt (IDR)** is issued by a **domestic depository in India** and **denominated in Rupees.** It represents an **ownership interest** in a fixed number of underlying equity shares of the Issuing Company. Since foreign companies are not allowed to list on Indian equity markets, IDR is a way to own shares of those companies.

A foreign company issues and deposits new shares with an Indian depository (say, National Securities Depository Ltd (NSDL) or Central Depository Service Ltd or CDSL), Such a depository then, in turn, issues equivalent shares in rupees to investors in India. Much like an equity share, it is an ownership pie of a company. IDRs involve currency risk for the underlying shares in another country. Fluctuations in the exchange rate could impact the value of the dividend payment.

62. Solution: (d)

Exp) option d is the correct answer.

BoP crisis is a situation in which a sovereign entity has developed an unsustainable balance of payments deficit. That is, a balance of payments crisis occurs when so much money is flowing outside a country that it has difficulty borrowing to make up the difference. A balance of payments crisis becomes acute in circumstances like an exceptionally large budget deficit that lasts for an extended period of time or a default on interest payments on publicly held debt.

Option 1 is correct. Devaluation of currency leads to increase in export and hence increase in inflow of foreign currency. Devaluation thus will help to earn foreign currency and reduce negative Balance of Payment.

Option 2 is correct: Dear monetary policy means restricting the volume of credit available in the economy coupled with increasing the rate of interest. It can be used to check aggregate expenditure or demand of imports. By raising the cost of bank credit and restricting the availability of credit, central banks can help reduce **expenditure and demand of imports.** The current account deficit thus may decline.

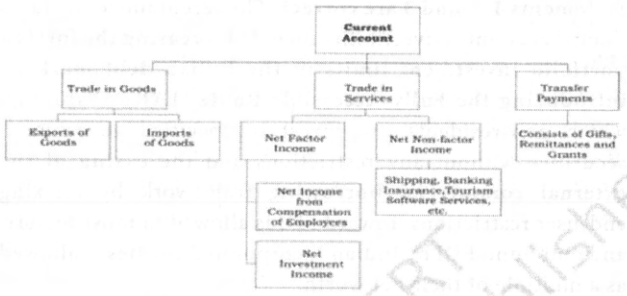
Option 3 is correct: Contractionary fiscal policy can be used as a means for **reducing aggregate expenditure.** It includes hiking direct taxes such as income tax and increase in indirect taxes such as excise duties and sales tax. This will cause reduction in expenditure and leading to **imports decline.**

Option 4 is correct. An immediate action that can be taken against the crisis included taking loan from international organisations like IMF and borrowing money from banks of other countries.

63. Solution: (b)

Exp) Option b is the correct answer.

Trade in Services includes **Factor Income and Non-Factor Income. Net Factor income includes- net income from compensation of employees, and net investment income.** On the other hand, **non-factor income includes shipping, banking, insurance, tourism, services, etc.**



Option 1 is incorrect- A person in United Arab Emirates sending remittances to India is not considered trade in services because it is a **transfer of money to family or friends, not a payment for a service.**

Option 2 is incorrect- A person importing Lamborghini Urus in India is not considered trade in services because the **person is buying a physical good, not a service.** Hence, it is an example of **trade in goods.**

Option 3 is correct- Receiving rent from a land in London can be an example of trade in services. When you rent out your land to someone, you are providing them with the service of allowing them to use your land. This is considered a trade in services because it is an exchange of intangible goods (the right to use the land) for money.

Option 4 is correct- Receiving dividend from the stock of a company is considered trade in services because it is income earned from an investment in a foreign company. The foreign company is providing a service to the investor, and the investor is paying for the service with their investment.

64. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: An invisible trade is an international transaction that includes an exchange of non-tangible goods. Customer service outsourcing, overseas banking transactions, and the medical tourism industry all are

examples of invisible trade. Invisible trade or the exchange of non-tangible goods represents an increasing percentage of the world's business. Global financial services and insurance companies, shipping services, and tourism all engage in invisible trade.

Option b is incorrect: Current transfers are one-sided transaction transfers characterized by a resident entity in one nation providing a non-resident entity with an economic value.

The two main types of current transfers are general government transfers, which are conducted between governments of two countries, and other sector transfers, such as those involving worker remittances or premiums associated with non-life insurances.

Option c is incorrect: Net foreign factor income (NFFI) is the difference between a nation's gross national product (GNP) and gross domestic product (GDP).

NFFI is the difference between the aggregate amount that a country's citizens and companies earn abroad and the aggregate amount that foreign citizens and overseas companies earn in that country.

Option d is incorrect: Capital account transactions are two way and multiple transactions. In **capital account transactions, paid money can be recovered through periodical income or by disposal of the asset created.** Likewise, the received money needs to be repaid periodically and settled finally by repaying the full amount.

65. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Autonomous transactions are the International economic transactions that are made independently of the state of the Balance of Payments (BOP). These transactions take place due to some economic motives like earning income and profit maximization. They have nothing to do with foreign exchange payments. Autonomous transactions are generally called 'above the line items' in Balance of payments. It is autonomous transactions which make deficit or surplus in BOP. BOP is in deficit if the autonomous receipts are less than autonomous payments. BOP is in surplus if the autonomous receipts are greater than autonomous payments.

Statement 2 is correct: Accommodating transactions are determined by the net consequences of the autonomous items. Accommodating transactions refer to transactions that are made to cover deficit or surplus arising from autonomous transactions. Accommodating transactions are called 'below the line items. Because of government financing, official settlements are seen as accommodating items to keep the BOP identity.

66. Solution: (c)

Exp) Option c is the correct answer.

The Balance of Payments (BoP) Manual for India is a document published by the **Reserve Bank of India (RBI).** This document highlights the accounting treatment for recording transactions between residents and non-residents. It classifies the transactions under three categories- current account, capital account, and financial account.

1) **Current account** records transactions relating merchandise trade, trade in services and transfer payments.
2) **Capital account** comprises of transactions under non-produced non-financial assets and capital transfers between residents and the rest of the world.
3) **Financial account** record transactions in financial assets and financial liabilities, such as bond, equity shares, etc.

Statement 1 is correct: Financial account shows net acquisition and disposal of financial liabilities during a particular period of time. **It includes trade in financial assets such as equity and debt.**

Statement 2 is correct: The Financial Account reflects how a country's deficit in the current account is offset or financed by various financial transactions. The sum total of net transactions under the capital and current account represents net lending or net borrowing by the economy from the rest of the world. This is reflected in the financial account as net inflow or outflow of capital. In this way, it also **shows how the current surplus is used or the current deficit is financed.**

67. Solution: (b)

Exp) Option b is the correct answer.

Purchasing Power Parity (PPP) theory is a fundamental concept in international economics. This theory provides a framework for understanding how exchange rates should adjust over time to reflect differences in price levels between countries.

Statement a is correct: PPP Exchange rate implies that identical goods in two different countries should have the same price when expressed in a common currency. For example, if a smartphone costs 500 units of the domestic currency in one country and 400 units in another, when converted to a common currency (e.g., U.S. dollars), both prices should be the same.

Statement b is incorrect: PPP only considers traded goods and services, while ignoring non-traded goods and services like haircuts and housing, which can significantly impact living standards.

Statement c is correct: Purchasing power parity (PPP) shows the relative cost of living between countries. **By comparing PPP over time, we see if economies are converging (living standards become similar) or diverging.** If the PPP between two countries narrows, it suggests their living standards are converging, as prices become more equal. Conversely, a widening PPP indicates diverging living standards, with one country's prices increasing faster than the other. By monitoring PPP changes, we can assess the progress of economic development and identify potential gaps between countries.

Statement d is correct: PPP Exchange Rates are sensitive to changes in price levels i.e., inflation. If one country

experiences higher inflation than another, it can result in adjustments to PPP Exchange Rates to account for the disparity in the purchasing power of their respective currencies. Inflation differentials can influence the relative value of currencies over time. In other words, **differences in inflation rates between countries influence how their currencies' purchasing power is measured in the long term.**

68. Solution: (d)

Exp) Option d is the correct answer.

Foreign exchange reserves are a crucial component of a country's economic stability. They represent the stock of foreign currencies and assets held by a country's central bank.

Statement 1 is correct: Forex reserves ensure that the **government has sufficient funds to meet its external debt obligations,** especially when foreign currency is needed.

Statement 2 is correct: Central banks hold a **portion of forex reserves in foreign assets**, such as bonds, which generate interest income. This interest helps in bolstering the central bank's financial position.

Statement 3 is correct: In times of economic downturn or financial instability, **forex reserves act as a buffer, providing the country with enough liquidity** to prevent a Balance of Payment crisis.

Statement 4 is correct: By using its forex reserves, the central bank can **intervene in the foreign exchange market to stabilize the national currency,** ensuring it remains within acceptable limits and mitigating extreme fluctuations.

69. Solution: (a)

Exp) Option a is the correct answer.

Statement I and II are correct: Official reserve transactions refer to purchase and sale of Foreign Exchange Reserves by the Central bank. These transactions are typically used to manage a nation's exchange rate, stabilize its currency, or fulfill other monetary policy objectives.

In Managed Floating Exchange Rate Regime, the exchange rate is primarily determined by market forces (supply and demand), but the central bank intervenes to influence the rate. Thus, in a **managed floating system, the central banks buy or sell exchange reserves** in an attempt to reduce the excessive volatility in exchange rates. **Therefore, official reserve transactions are not zero.**

Therefore in a managed floating exchange rate regime, the official reserve transactions are not equal to zero because the central banks actively buy and sell the foreign exchange reserves in order to keep the exchange rate within certain limits. **Therefore, Both statement -I and statement -II are correct and statement -II is the correct explanation for statement -I.**

70. Solution: (a)

Exp) Option a is the correct answer

Exporting is defined as the sale of products and services in foreign countries that are sourced or made in the home country. When foreign tourists travel to India they buy "tourist experience of the country". They pay for it with the currency of their country.

71. Solution: (a)

Exp) Option a is the correct answer.

Special Economic Zones (SEZs) in India were established as part of the government's export promotion measures to enhance industrial growth, attract foreign direct investment, and boost exports.

Statement 1 is correct: SEZs are treated as foreign territory for trade, duties, and tariffs, providing them special operational benefits.

Option 2 is correct: SEZ units receive a 100% income tax exemption on export income for the first five years of the establishment of the company, 50% for the next five years, and 50% of the ploughed back export profit for the following five years. This is under Section 10AA of the Income Tax Act.

Option 3 is incorrect: **While 100% FDI is permitted in most manufacturing sectors, it is not allowed in all sectors.** Some exceptions to the 100% FDI rule include strategic and security-related goods, such as defense equipment and atomic substances. Cases that are not covered by the automatic route are considered and approved by the Board of Approvals.

Option 4 is incorrect: Units in SEZs **do not require an import license**, which simplifies their import operations and facilitates ease of doing business.

72. Solution: (b)

Exp) Option b is the correct answer.

The Balance of Payments (BoP) is a record of all financial transactions made between a country and the rest of the world over a specific period.

BoP is divided into **two main accounts**: the **Current Account** and the **Capital Account**. The Current Account primarily deals with the flow of goods, services, income, and current transfers, while the Capital Account handles investment flows such as loans, foreign direct investment (FDI), and capital transfers.

Option 1 is correct. Services provided by a software engineer in India to a company located outside India: This transaction **involves the export of services.** Exports of services are recorded under the services component of the **Current Account.**

Option 2 is incorrect. Loans raised by the central government from abroad: This transaction involves borrowing funds from abroad, which creates a financial liability for the government. It falls under the **Capital Account.**

Option 3 is correct. Remittances sent by people working in foreign countries to their families in India : These are current transfers, which are part of the **Current Account.** Remittances represent the transfer of income from foreign workers to their families in India without any exchange of goods or services.

Option 4 is incorrect. Foreign Direct Investment (FDI) made by a foreign investor into a company in India is considered a capital inflow and is recorded under the **Capital Account.**.

73. Solution: (b)

Exp) Option b is the correct answer.

Foreign Direct Investment is an investment under which an investor establishes or acquires a business entity in a foreign country along with management rights (ownership + management). IMF defines FDI as "an investment through which investors acquire lasting and substantial management control of at least 10% of equity or voting rights in foreign affiliates': FDI is sought after investment because it brings long lasting capital, new innovative business models and world-class management strategies, and makes Indian companies globally competitive.

Sectors where FDI is prohibited:

- **Lottery Business** including Government/ Private lottery and online lotteries etc. **(Option 1 is correct)**;
- Chit Funds; Nidhi Company;
- Trading in Transferable Development Rights (TDR);
- **Manufacturing of Cigars, cheroots, cigarillos, and cigarettes (tobacco or tobacco substitutes) (Option 4 is correct)**;
- Gambling and betting including casinos;
- Real Estate Business or Construction of Farm Houses;
- Sectors not open to private sector investments - atomic energy, railway operations (other than permitted activities under the consolidated FDI Policy).

Option 2 is incorrect: In India, foreign direct investment is prohibited in the nuclear sector, **except for equipment manufacturing and other types of nuclear facility supplies**. In 2015, the Indian government amended the Atomic Energy Act to allow the state-owned Nuclear Power Corporation of India to enter in joint ventures with companies in which the government owns a majority or controlling stake in developing nuclear power projects.

Option 3 is incorrect: FDI is permitted under the **automatic route for non-bank entities to set up and operate white-label ATMs**. These ATMs help expand banking services in underserved areas, and foreign investments are encouraged to boost infrastructure development.

74. Solution: (b)

Exp) Option b is the correct answer.

FDI inflows can be divided into two categories: physical FDI and digital FDI:

Physical FDI includes investments in tangible sectors such as **automobiles**, **pharmaceuticals**, and construction. **(Options 2 and 3 are incorrect)**

Digital FDI, on the other hand, encompasses **investments in sectors** like computer services, **telecommunications,** consultancy services, **and information and broadcasting. (Options 1 and 4 are correct)**

75. Solution: (a)

Exp) Option a is the correct answer.

Global Capability Centres (GCCs) or Captive Centres, are offshore offices or subsidiaries set up by multinational corporations (MNCs) to handle various business processes and services. These centres are responsible for a wide range of tasks, including IT support, research and development (R&D), data analytics, finance, human resources, and other back-office functions.

GCCs allow companies to focus on their core competencies while leveraging the centres' expertise in different locations. These functions collectively support strategic objectives, enhance operational efficiency, and deliver value across various business areas.

76. Solution: (a)

Exp) Option a is the correct answer.

Balance of Payments (BOP) equilibrium refers to a situation where the inflows and outflows of foreign exchange are equal, ensuring there is no net addition or depletion of a country's Forex reserves.

When a country is said to be in balance of payments equilibrium i.e. (Current Account + Capital Account= 0), the **current account deficit is financed entirely by foreign borrowing or asset sale without any Forex reserve movements.**

77. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: NEER is not adjusted for inflation. It is a nominal measure, **while the Real Effective Exchange Rate (REER) accounts for inflation.** The Nominal Effective Exchange Rate (NEER) measures the value of a currency relative to a basket of foreign currencies. The Real Effective Exchange Rate (REER) is the NEER adjusted for inflation, reflecting the real purchasing power of a currency.

Statement 2 is correct: NEER is a measure of the value of a currency against a weighted average of several foreign currencies. An increase in NEER indicates an appreciation of the local currency against the weighted basket of currencies of its trading partners.

Statement 3 is correct: Decrease in NEER indicates a decrease in the value of the domestic currency relative to a basket of foreign currencies. This means that the domestic currency can buy fewer units of foreign currencies than before.

78. Solution: (c)

Exp) Option c is the correct answer.

The term **"taper tantrum" gained prominence in financial markets in 2013 when then-Federal Reserve Chairman Ben Bernanke hinted at the possibility of reducing the pace of the Fed's bond-buying program**. This program, known as **quantitative easing** (QE), involved the Fed purchasing large quantities of government bonds and mortgage-backed securities in order to stimulate economic growth by keeping

interest rates low and injecting liquidity into financial markets.

When the Fed suggested tapering, or gradually reducing the pace of its bond purchases, it signalled to investors that the era of ultra-loose monetary policy might be coming to an end. This prospect led to concerns among investors about the potential impact on asset prices, particularly bonds.

The **announcement of tapering triggered a significant market reaction, characterized by a rapid increase in bond yields. Bond prices and yields move inversely, so when bond yields rise, it means bond prices are falling.** This increase in yields reflected investor expectations of reduced demand for bonds once the Fed began tapering its purchases.

The term "taper tantrum" captures the market turbulence and volatility that ensued following the Fed's announcement. **Stock markets experienced sell-offs, bond prices declined, and emerging market currencies and assets were particularly hard-hit as investors anticipated a shift in global capital flows away from riskier assets.**

In summary, a **taper tantrum refers to a sudden and sharp increase in bond yields triggered by an announcement from a central bank about reducing or tapering its bond-buying program.** This term underscores the potential for market volatility and disruption when central banks signal a shift in monetary policy.

79. Solution: (d)

Exp) Option d is the correct answer.

Statement I is incorrect: The legal framework for administration of foreign exchange transactions in India is provided by the Foreign Exchange Management Act, 1999, (FEMA). **And there are certain restrictions under the Liberalised Remittance Scheme (LRS). As per LRS, an resident Indian individual can remit up to USD 2,50,000 per financial year** for permissible current or capital account transactions, which includes gifts in forms of liquid cash and donations as well.

Statement II is correct: Current Account Convertibility refers to the freedom to convert rupees into a foreign currency and vice versa related to current account i.e., exports and imports of goods and services, factor income and unilateral transfers. **India has full convertibility of rupee on current account.** It means all current account transactions in India with all other countries, with regard to trade in merchandise, or service such as education, travel, medical expenses etc. and 'invisibles' such as remittances are met through full convertibility of the rupee into other foreign currencies. The rupee can be used to buy another currency and other currencies can buy Indian rupee without limit. **Full current account convertibility of rupee was adopted by RBI in August 1994.**

80. Solution: (c)

Exp) Option c is the correct answer.

Current account deficit (CAD) consists of the trade balance and transfer payments. When the value of a **country's imports of goods and services is greater than its exports then there will be a trade deficit which leads to a current account deficit. On the other hand, the inflow of transfer payments (net inflow of gifts, grants and remittances) in the country improves the current account deficit.**

Option 1 is correct: If domestic consumption is high, it often leads to increased imports to meet demand, putting downward pressure on the current account balance.

Option 2 is correct: India is a significant importer of oil. Rising global fuel prices increase the import bill, directly impacting the current account.

Option 3 is correct: If a country's exports lose competitiveness, the country earns less from exports, which worsens the trade balance and contributes to a higher CAD.

Option 4 is incorrect: Increment in net remittances in India will lead to the improvement of Current Account Deficit.

81. Solution: (b)

Exp) Option b is the correct answer.

The correct order of countries in increasing order as per their share in India's exports during the year 2023-24 is **China - Netherlands - UAE - USA**

S.No.	Country / Region	Export value(Bn USD)	%Share in India's total exports
1.	U S A	77.5	17.7 %
2.	UAE	35.6	8.1 %
3.	NETHERLAND	22.3	5.1 %
4.	CHINA	16.6	3.8 %
5.	SINGAPORE	14.4	3.2 %

82. Solution: (d)

Exp) Option d is the correct answer.

Option d is correct: The Hershman-Herfindahl Index **(HHI) is a common measure of market concentration of an industry** - the size of firms in relation to the industry they are in- and is used to determine market competitiveness.

The Hershman-Herfindahl index Index (HHI) is widely accepted by various competition regulators as a measure of market concentration, with India being one of them.

The Competition Commission of India (CCI) uses this tool while evaluating proposed mergers. The aim of such an evaluation is to ascertain if sanctioning the proposed merger would result in an adverse effect on competition or not.

Increases in the Herfindahl index generally indicate a decrease in competition and an increase of market power, whereas decreases indicate the opposite.

For example, If there are 100 equal-sized firms the index is 100. If there are four equal-sized firms (possible oligipoly) it will be 2,500. The higher the Herfindahl number, the more concentrated is market power.

83. Solution: (a)

Exp) Option a is the correct answer.

Nari Adalat is a new initiative for providing women with an alternate Grievance Redressal Mechanism for resolving cases of petty nature (harassment, subversion, curtailment of rights or entitlements) faced by women at Gram Panchayat level and it will be implemented in a phased manner. Nari Adalats or women collectives will be formed of committed and socially respected women chosen for that purpose. This platform will also be utilized for engaging with the public for awareness generation and getting feedback for improvement in the schemes and for effective public delivery of services.

Statement 1 is correct: 'Nari Adalat' is one of the components included in Mission Shakti. Initially, Nari Adalats will be launched in identified States/UTs, preferably where Elected Women Representatives (EWRs) are heading the Gram Panchayats (GPs) in Aspirational Districts.

Statement 2 is incorrect: Nari Adalats will be provided logistic support through Gram Panchayats in **convergence with the Ministry of Panchayati Raj, Ministry of Rural Development, and Common Service Centres (CSCs) run by the Ministry of Electronics and Information Technology.**

Statement 3 is incorrect: In the first year of the initiative, an awareness drive regarding legal, constitutional rights and entitlements under 16 various schemes/ programs will be undertaken. In the second year, committed and socially respected women will be identified and extensively trained in all women-related laws and schemes and a formal setup of women collectives having 7 to 11 members will be made who will address the socio, economic, and cultural issues faced by the women of that area. **No remuneration to the selected members shall be provided. However, out-of-pocket expenses will be provided by the Ministry for organising the meetings and for providing the badge/ uniform to the members**

84. Solution: (c)

Exp) Option c is the correct answer.

The balance of payments (BoP) records the transactions in goods, services and assets between residents of a country with the rest of the world for a specified time period, typically a year.

A country could use its **reserves of foreign exchange in order to balance any deficit in its balance of payments. Such transactions are called official reserve transactions.** Since the official reserve transactions are made to bridge the gap in the BoP, they are seen as the accommodating item in the BoP.

Official reserve transactions are more relevant under a regime of fixed exchange rates than when exchange rates are floating. Flexible or Floating Exchange Rate is determined by the market forces of demand and supply. In Fixed Exchange Rate system, the Government fixes the exchange rate at a particular level.

6.2. International Institutions

85. Solution: (d)

Exp) Option d is the correct answer.

Pair 1 is incorrect: The **World Investment Report** is released **by the United Nations Conference on Trade and Development** (UNCTAD), and **not by the World Bank.** It provides an in-depth analysis of global and regional investment trends, including data on foreign direct investment (FDI) flows.

The **World Investment Report 2024** highlights that **global foreign direct investment (FDI) fell by 2% to $1.3 trillion in 2023** due to an economic slowdown and rising geopolitical tensions. The report emphasizes the need for urgent policy action to revamp sustainable development finance, as new funding for Sustainable Development Goals (SDGs) sectors dropped over 10%. It also mentions that FDI flows to developing countries dropped 7% to $867 billion.

Pair 2 is incorrect: Logistics Performance Index (LPI) is **published by the World Bank.** The LPI is a benchmarking tool designed to help countries identify the challenges and opportunities they face in their trade logistics performance. It ranks countries based on key criteria such as customs performance, infrastructure quality, ease of arranging shipments, logistics services quality, tracking and tracing, and timeliness.

The **2023 edition of the LPI** assessed the logistics performance of **139 countries. India improved its rank to 38th,** rising by six places from 44th in 2018 and sixteen places from 54th in 2014, showcasing significant progress in the logistics sector, attributed to infrastructure development and digitization under initiatives like PM Gati Shakti.

Pair 3 is incorrect: The World Migration Report is International Organization for Migration (IOM's) flagship publication, having been produced biennially since 2000. The report responds to a clear and growing need for rigorous, balanced and evidence-based research and analysis on migration. **IOM is a leading intergovernmental organization within the UN system, dedicated to promoting humane and orderly migration since 1951.**

World Migration Report 2024 highlights that conflict and climate change remain the most significant factors driving global displacement.

86. Solution: (c)

Exp) Option c is the correct answer.

A **Free Trade Agreement** (FTA) is a treaty between two or more countries designed to reduce or eliminate barriers to trade, such as tariffs, quotas, and other trade restrictions, in order to encourage the flow of goods, services, and investments.

After a gap of nearly 10 years, **India signed four new FTAs between 2021 and 2024,** with **Mauritius (signed in February 2021),** the **UAE (February 2022), Australia (April 2022), and the European Free Trade Association EFTA (March 2024).** All these FTAs have come into force, except for the EFTA.

Option 1 is correct: India signed the **Comprehensive Economic Cooperation and Partnership Agreement (CECPA)** with **Mauritius in February 2021,** marking its **first FTA with an African nation.**

The agreement encompasses various areas, including trade in goods and services, rules of origin, Technical Barriers to Trade, and Sanitary and Phytosanitary measures, etc. It grants Mauritius preferential access to the Indian market for products like frozen fish, specialty sugar, biscuits, fresh fruits, juices, mineral water, etc.

Option 2 is correct: India and **Australia signed** the **Economic Cooperation and Trade Agreement (ECTA)** in **April 2022,** which came into effect in December 2022.

The ECTA is expected to significantly benefit India's labour-intensive sectors, which previously faced a 5% import duty on most products when exporting to Australia.

Under the ECTA, 98.3% of tariff lines, accounting for 96.4% of India's exports to Australia by value, will now enjoy immediate duty-free access.

Option 3 is correct: India signed the **Comprehensive Economic Partnership Agreement** (CEPA), a **FTA, with the UAE** in **February 2022**, which became operational in May 2022.

The UAE is India's second-largest export destination, with major exports including gems and jewellery, cereals, and fuel.

The CEPA provides preferential access to these labour-intensive products in the UAE. The agreement aims to increase bilateral trade between India and UAE in goods to $100 billion and trade in services to $15 billion within five years.

87. Solution: (c)

Exp) Option c is the correct answer.

Quotas are the building blocks of the IMF's financial and governance structure. An individual member country's quota broadly reflects its relative position in the world economy. Quotas are denominated in Special Drawing Rights (SDRs), the IMF's unit of account. The IMF's Board of Governors conducts general quota reviews at least every five years.

All Options 1, 2 and 3 are correct. A quota formula is used to help assess members' relative position in the world economy and it can play a role in guiding the distribution of quota increases.

The quota formula includes Gross Domestic Product (50%), openness (30%), economic variability (15%), and international reserves (5%).

IMF quota formula

$$(0.50 * GDP + 0.30 * Openness + 0.15 * Variability + 0.05 * Reserves)^{\text{COMPRESSION FACTOR}}$$

GDP is a blend of 60 percent GDP at market rates and 40 percent at PPP exchange rates.

Openness is based on the annual average of the sum of annual current payments and current receipts on goods, services, income, and transfers.

Variability is the standard deviation of current receipts and net capital flows.

Reserves are twelve-month running averages of Foreign exchange reserves and gold reserves.

88. Solution: (c)

Exp) Option c is the correct answer.

The International Bank for Reconstruction and Development (IBRD) is an international financial institution established in 1944. It is headquartered in Washington D.C., United States. It is the lending arm of the World Bank Group.

Statement 1 is correct. The IBRD **provides loans at market rates of interest to middle-income developing countries and creditworthy lower-income countries.** IBRD provides financial products and policy advice to help countries reduce poverty and extend the benefits of sustainable growth to all of their people. It **offers innovative financial solutions, including financial products (loans, guarantees, and risk management products) and knowledge and advisory services (including on a reimbursable basis) to governments at the national and subnational levels.**

Statement 2 is incorrect. IBRD raises most of its funds in the world's financial markets. IBRD has maintained a triple-A rating since 1959. This high credit rating allows it to borrow at low cost and offer middle-income developing countries access to capital on favorable terms.

IBRD earns income every year from the return on its equity and from the small margin it makes on lending.

Statement 3 is correct. India is one of the founding members of the International Bank for Reconstruction and Development (IBRD).

89. Solution: (b)

Exp) Option b is the correct answer.

Option 1 is correct. The Global Financial Stability Report (GFSR) is published by the International Monetary Fund **(IMF).** This semiannual report assesses the health and stability of global financial markets. It highlights vulnerabilities that could potentially affect global financial systems and provides policy recommendations for mitigating risks.

Option 2 is correct. The Fiscal Monitor is another publication by the International Monetary Fund **(IMF).** It provides an overview of latest public finance developments, updates the medium-term fiscal outlook, and assesses fiscal implications of policies relevant to the global economy. The Fiscal Monitor is prepared twice a year by the IMF's Fiscal Affairs Department.

Option 3 is incorrect. The Global Competitiveness Report is published by the **World Economic Forum (WEF).** It evaluates the competitiveness of countries based on various factors, including institutions, infrastructure, macroeconomic stability, health, education, and innovation.

90. Solution: (c)

Exp) Option c is the correct answer

Option 1 is correct: International Cotton Advisory Committee is an association of members of cotton producing, consuming and trading countries. It was formed in 1939. **It has 28 members (India is one of the founding members).** Most of the world's cotton producing nations

are members of ICAC. But two of the ten largest producers (China and Turkmenistan) are not members. The Ministry of Textiles recently hosted the 81st Plenary Meeting of the International Cotton Advisory Committee (ICAC) in the Jio World Convention Centre, Mumbai.

Option 2 is correct: The International Sugar Organization represents 87% of world sugar production 64% of world sugar consumption. With a membership of around 88 nations, **India being among them**, the organization encompasses a diverse range of countries. **India became Chair of International Sugar Organisation (ISO) for 2024.**

Option 3 is correct: The International Grains Council (IGC) is an intergovernmental organization which oversees the Grains Trade Convention and seeks to promote cooperation in the global grain trade. **India is one of the members of IGC.**

91. Solution: (d)

Exp) Option d is the correct answer.

The Basel Committee on Banking Supervision (BCBS) was established in **1974** by the central bank governors of the 10 countries. The BCBS now has membership from 28 jurisdictions through 45 members. It provides a forum for central banks and regulatory authorities to collaborate on banking supervision to prevent systemic risks and crises.

Statement 1 is incorrect. The BCBS was established in 1974 by the central bank governors of the Group of Ten (G10) countries, following financial disruptions caused by the collapse of the Bankhaus Herstatt in Germany. It predates the Asian financial crisis of 1997–1998.

Statement 2 is incorrect. The Basel Committee on Banking Supervision **(BCBS) is not the decision- making body** of the Bank for International Settlements **(BIS)**. Instead, it is a committee of banking supervisory authorities that develops and issues recommendations and standards for banking regulation. The BIS has its own governance structure, which includes a Board of Directors and various committees.

92. Solution: (b)

Exp) Option b is the correct answer.

The World Trade Organization (WTO) governs global trade rules, including agreements like the **Agreement on Agriculture (AoA)** and **Trade-Related Aspects of Intellectual Property Rights (TRIPS)**, which address various trade and subsidy-related issues. These agreements include key terms like the Peace Clause, Compulsory Licensing, and Amber Box Subsidies which has specific implications for trade and development.

Pair 1 is correct: The rationale behind the Peace Clause lies in addressing the conflict over Amber Box subsidies, which are trade-distorting and subject to reduction commitments. Under the Agreement on Agriculture (AoA), most of the developing countries are allowed a higher de minimis limit (10% of agricultural production value based on the reference price of 1986-88) for such subsidies. However, large-scale food security programs, such as public stockholding for the poor, often breach these limits. The Peace Clause, introduced as an interim solution during the **Bali Ministerial Conference (2013), provides temporary immunity to developing countries from WTO disputes for breaching subsidy ceilings,** allowing them to maintain critical food security programs while negotiations for a permanent solution continue.

Pair 2 is incorrect: Compulsory licensing is one of the flexibilities in the field of patent protection included in the WTO's agreement on intellectual property — the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement. **It is when a government allows someone else to produce a patented product or process without the consent of the patent owner** or plans to use the patent-protected invention itself. As part of the Doha Round, developing countries secured a provision in TRIPS that allowed **compulsory licensing** of patents in certain circumstances.

Pair 3 is correct: under the Most-favoured-nation (MFN) principle, countries are required to offer the same trade terms to all its trading partners, with notable exceptions under WTO rules. The countries cannot normally discriminate between their trading partners. Grant someone a special favour (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members.

93. Solution: (d)

Exp) Option d is the correct answer.

The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog established in 1989 during the G7 meet in Paris.

Statement a is correct: It is an **intergovernmental organisation** that examines and develops measures to combat **illegal activities like money laundering and terrorist financing.** Originally tasked with Money laundering, In 2001, the FATF expanded its mandate to also combat terrorist financing.

Statement b is correct: The FATF Secretariat is located at the headquarters of the Organisation for Economic Co-operation and Development (OECD) in Paris, France.

Statement c is correct: Financial Action Task Force (FATF) issues public documents that identify countries with weak measures to combat money laundering and terrorist financing (AML/CFT) **three times a year under Black and Grey list.**

Statement d is incorrect: The FATF is an international policy-making body. It does not take a role in law enforcement matters, investigations or prosecutions. **It does not have a separate investigative arm to investigate matters related to money laundering.**

94. Solution: (a)

Exp) Option a is the correct answer.

The New Development Bank (NDB) was established in 2014 during the 6th BRICS Summit held in Fortaleza, Brazil.

Statement 1 is correct: The **agreement to establish the New Development Bank was signed during the 6th BRICS summit in Fortaleza by the leaders.**

It is a multilateral development bank established by Brazil, Russia, India, China and South Africa (BRICS) based on Fortaleza Declaration during the sixth BRICS Summit in Fortaleza (2014).

Statement 2 is correct: The **New Development Bank (NDB)** has an authorized capital of USD 100 billion, with an initial subscribed capital of USD 50 billion equally distributed among its five founding members: **Brazil, Russia, India, China, and South Africa**. Voting power in the NDB is proportional to the number of subscribed shares in the bank's capital stock. However, the share of BRICS countries collectively cannot fall below 55% of the total votes. Currently, each of the five founding members holds **equal voting rights of 20%.**

Statement 3 is incorrect: NDB's the Articles of Agreement (AoA) mandate that the Bank will mobilize resources for **infrastructure and sustainable development projects in BRICS and other emerging market economies and developing countries (EMDCs),** complementing the existing efforts of multilateral and regional financial institutions for global growth and development.

95. Solution: (d)

Exp) Option d is the correct answer

The World Bank was established at the Bretton Woods Monetary and Financial Conference in 1944 and began operations in 1946. It is a specialized agency of the United Nations. Together with its affiliates, it forms the World Bank Group, which consists of the following entities.(i) International Bank for Reconstruction and Development (IBRD) (ii) International Finance Corporation (IFC) (iii) International Development Association (IDA) (iv) International Centre for Settlement of Investment Disputes (ICSID) (v) Multilateral Investment Guarantee Agency (MIGA).

Statement I is correct: The International Centre for Settlement of Investment Disputes (ICSID), established in 1966 under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention), is the world's premier institution dedicated to resolving international investment disputes. **India has refrained from joining the ICSID Convention, since its inception and is not the signatory to the convention.**

Statement II is incorrect: Pakistan, Nepal, Sri Lanka as well as Bangladesh have ratified the convention and are SAARC member states.

Statement III is incorrect: India has not stated the specific reasons for its absence from the ICSID Convention while Indian Council for Arbitration has recommended to the Indian Ministry of Finance that India should refrain from becoming a signatory to the ICSID Convention on the following grounds:

- the Convention's rules for arbitration leaned towards the developed countries; and
- there is no scope for a review of the award by an Indian court even if it violates India's public policy.

As per the convention, **there is no requirement for change in labour laws and patent laws for the ratification of the convention.**

96. Solution: (a)

Exp) Option a is the correct answer.

The Asian Development Bank (ADB) was established in **1966** to promote economic development and cooperation in the Asia-Pacific region. The headquarters of the ADB is located in **Manila, Philippines.**

Statement 1 is correct. India is a founding member of the Asian Development Bank (ADB) and its fourth largest shareholder.

Statement 2 is incorrect. Membership in the ADB is **open to all countries**, including those outside Asia, provided they subscribe to the bank's goals and become shareholders. For example, USA is the member of ADB and it is the largest shareholder of ADB along with Japan (each holds 15.5 % of shares)

Statement 3 is correct. The ADB follows a system where the **voting power of each member is determined by its capital contributions.** The number of proportional votes of each member is equal to the number of shares of the capital stock of ADB held by that member.

97. Solution: (a)

Exp) Option a is the correct answer.

The International Finance Corporation (IFC) was set up in **1956** which is also known as the **private arm** of the WB. It lends money to private sector companies of its member nations.

Statement 1 is correct. The IFC is a member of the World Bank Group and is distinct from other institutions like the IBRD or IDA, which focus on sovereign governments. **The IFC focuses exclusively on the private sector in developing countries, providing investment and advisory services to promote private sector development.** It does **not deal with sovereign governments directly** but supports private enterprises and projects that foster economic growth.

In fiscal year 2023, IFC committed a record $43.7 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to improve people's lives as economies grapple with the impacts of global compounding crises.

Statement 2 is incorrect. The IFC provides **loans at commercial interest rates** but at comparatively lower rates than market rates. These loans are structured to attract further private investment.

Statement 3 is incorrect: The Multilateral Investment Guarantee Agency (MIGA), established in 1988, is the most recent entity of the World Bank Group. The IFC was established earlier, in 1956.

Important Tips

International Bank for Reconstruction and Development (IBRD) - 1944

International Development Association (IDA) - 1960

International Centre for Settlement of Investment Disputes (ICSID) - 1966

International Finance Corporation (IFC) - 1956

Multilateral Investment Guarantee Agency (MIGA) - 1988

98. Solution: (b)

Exp) Option b is the correct answer.

Special Drawing Rights (SDRs) are **international reserve assets** created by the **International Monetary Fund** (IMF) to supplement its member countries' official reserves. They were introduced in **1969** to address global liquidity shortages and to provide an alternative to the reliance on gold or the US dollar.

Options 1, 4, 5 and 6 are correct: The **value of the SDR** is determined by a basket of **five major currencies**: the **US Dollar, Euro, Chinese Renminbi (Yuan), Japanese Yen, and British Pound (Pound Sterling).**

The IMF reviews the SDR basket every five years or earlier, if necessary, to ensure that it reflects the relative importance of these currencies in global trade and financial systems.

Options 2 and 3 are incorrect: Indian Rupee (INR) and Russian Rubel are not part of the basket of international currency that determine the value of SDR

99. Solution: (d)

Exp) Option d is the correct answer.

The International Development Association (IDA) is a part of the World Bank that helps the world's poorest countries. **Established in 1960,** the IDA provides **grants and low- to zero-interest loans** for programs aimed at **boosting economic growth, reducing poverty, and improving living conditions.**

Statement 1 is correct: The IDA is known for **providing concessional financial assistance, meaning it offers loans (called credits) that are interest-free,** though they do have a small service charge. It also provides grants. This assistance is specifically designed to **help the world's poorest nations, which struggle to access financing on market terms.**

Statement 2 is correct : A country's GNI per capita is a key factor in determining its eligibility for IDA support. The IDA sets specific income thresholds, and countries falling below these thresholds are generally eligible. Additionally, the IDA also considers a country's creditworthiness, meaning its ability to access financing from other sources.

Statement 3 is correct: IDA is the concessional arm of the World Bank and plays a key role in supporting the Bank's poverty reduction mission. **As per the Budget 2025-26, India is out of the ambit of concessional Loans.**

100. Solution: (d)

Exp) Option d is the correct answer.

The **South Asia Subregional Economic Cooperation (SASEC) is a regional initiative launched in 2001 to promote economic cooperation and integration among South Asian and neighboring countries.** It aims to enhance regional connectivity, boost trade, and foster economic growth through collaborative infrastructure projects and policy initiatives.

Statement 1 is correct: The **Asian Development Bank (ADB) has been supporting SASEC since its inception and acts as the secretariat,** coordinating activities, providing technical assistance, and funding projects that align with SASEC's goals.

Statement 2 is incorrect: While **India is a member of SASEC, Pakistan and Afghanistan are not.** The **current members of SASEC are Bangladesh, Bhutan, India, the Maldives, Myanmar, Nepal, and Sri Lanka.**

Statement 3 is correct: The sectoral operational priorities of SASEC includes transport, trade, energy, and economic corridor development.

Important Tips

Asian Development Bank (ADB):

1) **Establishment**: The **ADB was established in 1966** with the aim of promoting social and economic development in Asia and the Pacific.
2) **Headquarters**: **Manila, Philippines.**
3) **Membership**: ADB has **68 member countries,** including **49 from the Asia-Pacific region and 19 from outside the region.**
4) **Functions**: ADB provides loans, grants, and technical assistance to its member countries for various development projects. It focuses on areas such as infrastructure development, poverty reduction, education, health, and regional cooperation.
5) **Shareholding**: The largest shareholders of ADB are **Japan and USA (each with 15.6% shares), China (6.3%), and India (6.1%)**

101. Solution: (a)

Exp) Option a is the correct answer.

National treatment is a legal principle that requires countries to treat foreign citizens and companies the same as their own. It's a key principle of the World Trade Organization (WTO) Agreement.

This principle of "national treatment" (giving others the same treatment as one's own nationals) is also found in all the **three main WTO agreements (Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS).**

Thus ambit of National Treatment framework includes:

- Imported and locally-produced goods should be treated equally
- Foreign and domestic services should be treated equally
- Foreign and local trademarks, copyrights, and patents should be treated equally

The principle of National Treatment within the World Trade Organization (WTO) ensures that **once imported goods or services have entered a member country's market, they are treated no less favorably than domestically produced goods or services.** This means that a country cannot impose internal taxes, regulations, or other measures that discriminate against imports in favor of domestic products. The aim is to create a level playing field, preventing countries from using internal measures to protect their domestic industries from foreign competition, thereby promoting fair and equitable international trade. It focuses on equal treatment after the goods have crossed the border, not on the tariffs imposed at the border itself.

102. Solution: (b)

Exp) Option b is the correct answer.

Most Favoured Nation (MFN) status is a **principle of non-discrimination in international trade, primarily governed by the World Trade Organization (WTO).** Essentially, it means that if a country grants a trade advantage (like lower tariffs) to one trading partner, it must extend that same advantage to all other WTO member countries.

Statement 1 is incorrect: The concept of MFN status is **non-discrimination, not special preference**. It essentially requires a country to treat all WTO member countries equally in terms of trade. If a country grants a trade advantage (like a lower tariff) to one WTO member, it must extend that same advantage to all other WTO members. Therefore, it's about equal treatment, not giving someone a "most favored" advantage over others.

Statement 2 is correct: Regional Trade Agreements (RTAs), such as free trade areas or customs unions, are recognized exceptions to the MFN principle. These agreements allow countries within a specific region to offer preferential trade treatment to each other without having to extend those same benefits to all other WTO members. This allows for closer economic integration among neighboring countries.

103. Solution: (b)

Exp) Option b is the correct answer.

The Organisation for Economic Co-operation and Development (OECD) is an intergovernmental economic organisation with **38 member countries, founded in 1961.** It aims to stimulate economic progress and world trade.

Statement 1 is incorrect: OECD was founded in 1961. **India is a key partner of the OECD and participates in many of its initiatives, but it is not a founding member.**

Statement 2 is correct: The OECD is a **global standard setter and consensus facilitator to tackle tax evasion and avoidance.** Working to enhance tax transparency and exchange of information between tax administrations, it has **contributed to ending bank secrecy for tax purposes.The international standards developed by the OECD provide for transparency and exchange of information on request (EOIR) and for automatic exchange of financial account information (AEOI).**

104. Solution: (c)

Exp) Option c is the correct answer.

The **International Monetary Fund (IMF)** is a global financial institution that provides **financial assistance, policy advice, and economic surveillance** to member countries. Each member country has a **quota**, which determines its **financial contribution, voting power, and borrowing capacity** from the IMF. These quotas are periodically reviewed and adjusted based on various economic factors.

Statement 1 is correct. The **IMF quota formula** takes into account multiple economic indicators, with **GDP (Gross Domestic Product) and openness** being two key parameters.

1. **GDP** represents a country's economic strength and its ability to contribute to the IMF.
2. **Openness** refers to the **trade and financial flows of a country**, reflecting its integration into the global economy. Countries with higher trade volumes and foreign exchange transactions tend to have **larger quotas**.

Other factors like **economic variability** and **international reserves** also play a role in determining a country's quota.

Statement 2 is correct. A country's quota directly determines its **borrowing limit** from the IMF. The **higher the quota, the greater the financial assistance** a country can access during economic crises. IMF lending is typically based on a **multiple of a country's quota**. Countries with larger quotas also have **greater access to concessional funding** and **special drawing rights (SDRs)**, which serve as an international reserve asset.

105. Solution: (c)

Exp) Option c is the correct answer.

The IMF is a **global organization that works to achieve sustainable growth and prosperity for all of its 191 member countries.** It does so by **supporting economic policies that promote financial stability and monetary cooperation,** which are essential to increase productivity, job creation, and economic well-being. The IMF is governed by and accountable to its member countries.

Statement 1 is incorrect: The IMF is not a judicial body. It is a financial institution that provides financial assistance and policy advice to its member countries. Economic disputes between nations are handled through other mechanisms, such as the World Trade Organization (WTO) dispute settlement system or through direct negotiations.

Statement 2 is correct: IMF financing helps member countries tackle balance-of-payments problems, stabilize their economies, and restore sustainable economic growth. It can also be made available in response to natural disasters and pandemics.

Statement 3 is correct: The IMF monitors the international monetary system and global economic developments while also engaging in regular health checks of the economic and financial policies of its 191 member countries. The **IMF will highlight financial stability risks to member countries and advise governments on potential policy adjustments.**

106. Solution: (d)

Exp) Option d is the correct answer

Options 1 and 3 are correct: The Bank for International settlements (BIS) also acts as a bank. **They offer financial services exclusively to central banks, monetary authorities and international organisations,** mainly to assist them in the management of their foreign exchange assets.

Option 2 is incorrect: The BIS **does not accept deposits from or provide financial services** or advice to private individuals or **corporate entities.**

107. Solution: (c)

Exp) Option c is the correct answer.

The **International Labour Organization (ILO)** was **founded in 1919 as part of the Treaty of Versailles,** which ended World War I. The treaty recognized the need for international cooperation to improve labor conditions and prevent social unrest. The ILO's guiding principle is based on the idea that **"Labour is not a commodity"** and that sustainable peace is possible only with **social justice.**

Statement 1 is correct: The **International Labour Organization (ILO)** is a specialized agency of the **United Nations (UN)** that works to promote labor rights, social protection, and decent work opportunities. **The only tripartite U.N. agency, since 1919,** the ILO brings together governments, employers and workers of 187 Member States, to set labour standards, develop policies and devise programmes promoting decent work for all women and men.

Statement 2 is incorrect: India has ratified six out of eight core **conventions** of the ILO, which focus on **child labor, forced labor, discrimination, and freedom of association.** The fundamental conventions include:

1. Forced Labour Convention (No. 29)
2. Abolition of Forced Labour Convention (No. 105)
3. Freedom of Association and Protection of the Right to Organise Convention (No. 87)
4. Right to Organise and Collective Bargaining Convention (No. 98)
5. Equal Remuneration Convention (No. 100)
6. Discrimination (Employment and Occupation) Convention (No. 111)
7. Minimum Age Convention (No. 138)
8. Worst Forms of Child Labour Convention (No. 182)

Freedom of Association and Protection of the Right to Organise Convention (No. 87) and Right to Organise and Collective Bargaining Convention (No. 98) has not be ratified by India. Rest 6 core conventions have been ratified by India.

Statement 3 is correct: The **ILO publishes the "World Employment and Social Outlook" (WESO) report** annually. This report provides data and insights on global employment trends, income distribution, economic growth, and the impact of technological and policy changes on labor markets worldwide. The report helps governments and policymakers make informed decisions about employment strategies.

108. Solution: (b)

Exp) Option b is the correct answer.

The **Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement** is a comprehensive multilateral agreement on intellectual property (IP) rights, administered by the **World Trade Organization (WTO).** It establishes minimum standards for various forms of IP regulation applicable to WTO member nations.

Statement a is correct: The TRIPS Agreement was indeed an outcome of the **Uruguay Round** of the **General Agreement on Tariffs and Trade (GATT)** negotiations, which took place from 1986 to 1994. These negotiations led to the establishment of the WTO, with TRIPS being one of its key agreements.

Statement b is incorrect: The **World Intellectual Property Organization (WIPO)** was **not established under the TRIPS Agreement.** WIPO is a separate specialized agency of the United Nations, established by the **Convention Establishing the World Intellectual Property Organization,** which was signed at Stockholm on July 14, 1967, and came into force on April 26, 1970. WIPO's primary mission is to promote the protection of intellectual property rights worldwide.

Statement c is correct: The TRIPS Agreement **does allow for compulsory licensing** under specific conditions. Compulsory licensing permits a government to authorize the use of a patented invention without the consent of the patent holder, primarily to address public health needs or in situations of national emergency. This provision ensures that essential medicines and technologies can be made accessible in critical situations.

Statement d is correct: The areas of intellectual property that TRIPS agreement covers are: copyright and related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organizations); trademarks including service marks; **geographical indications including appellations of origin;** industrial designs; patents including the protection of new varieties of plants; the layout-designs of integrated circuits; and undisclosed information including trade secrets and test data.

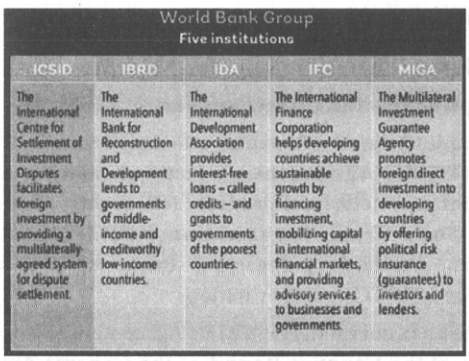
109. Solution: (b)

Exp) Option b is the correct answer.

The ICSID Convention, which was established in 1965, came into force in 1966. It is a multilateral treaty aimed at providing facilities for arbitration and conciliation of investment disputes between governments and foreign investors.

Statement 1 is incorrect: India is not a member of the International Centre for Settlement of Investment Disputes (ICSID). India has refrained from joining the ICSID Convention, since its inception.

Statement 2 is correct: ICSID is one of the five organizations that make up the World Bank Group. However, ICSID cases are separate and independent from the work of the World Bank.



Statement 3 is correct: The **ICSID** was created to provide a **specialized forum for dispute resolution** related to foreign investments. It helps protect **investors from expropriation, unfair treatment, and other investment disputes. The** proceedings are detached from domestic procedures under the ICSID Convention. This means that local courts do not intervene in the ICSID process. **Awards are final and binding, and may not be set aside by the courts of any Member State.** By offering arbitration and conciliation services, ICSID ensures that investment-related conflicts are resolved impartially.

110. Solution: (c)

Exp) Option c is the correct answer.

The **Special Drawing Right (SDR)** is an **international reserve asset** created by the **International Monetary Fund (IMF)** to **enhance the liquidity of member countries without increasing their external debt burden.** SDRs serve as a **supplement to foreign exchange reserves** but do not function as a currency.

Statement-I is correct: SDR **allocations are not loans** extended to IMF members. Instead, they are provided **without repayment obligations**, meaning countries do not have to return the allocated SDRs. These allocations help stabilize economies by boosting foreign reserves in times of financial stress.

Statement-II is incorrect: SDR **holdings do accrue interest and may attract charges**. The IMF **calculates an interest rate on SDR holdings**, which is revised weekly based on the weighted average of money market interest rates from the SDR basket currencies. **A country holding more SDRs than its allocation earns interest, while a country holding fewer SDRs than allocated must pay interest.**

Important Tips

1. SDRs were **created by the IMF in 1969** as a **supplementary international reserve asset** to support the **Bretton Woods fixed exchange rate system.**
2. SDRs **enhance global liquidity** by providing countries with **reserve assets that can be exchanged for freely usable currencies.**
3. SDRs **are allocated to IMF member countries in proportion to their IMF quotas.**
4. Members **can use SDRs to pay IMF obligations, exchange them for hard currency with other members, or hold them as part of their foreign reserves.**

111. Solution: (b)

Exp) Option b is the correct answer.

Various economic terms are used to refer to different kind of arrangements that are made in the global economic transactions.

Option a is incorrect. The General Resources Account (GRA) is the primary account of the International Monetary Fund (IMF) that handles most of its transactions with member countries. The GRA contains the IMF's holdings of currencies, gold, Special Drawing Rights, and other assets.

Option b is correct. Reserve Tranche Position is equal to the member's quota less the IMF's holdings of the member's currency in the GRA. It is part of the member's external reserves. It is an emergency account that the International Monetary Fund members can access at any time, without agreeing to conditions and paying a fee. **Thus, it is difference between a member's quota and the IMF's holdings of its currency.**

Option c is incorrect. The **Buffer Stock Financing Facility (BSF),** established in 1969 and eliminated in 2000, provided financing to members with a balance of payments needed to help finance their contributions to approved commodity price stabilization funds.

Option d is incorrect. The **Stand-By Arrangement** (SBA) is the most common type of credit arrangement designed to provide short-term financial assistance. Purchases under Stand-By Arrangements are repayable in 8 quarterly instalments 3.25-5 years after disbursement.

112. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correctly matched: The **World Economic Outlook (WEO) is a flagship publication released by the International Monetary Fund (IMF) twice a year.** It provides comprehensive analysis and forecasts of the global economy, including growth prospects, inflation, and trade. The WEO also addresses pressing economic issues and policy challenges faced by countries worldwide.

Pair 2 is incorrectly matched: The **Geopolitical Risk Index is released by Eurasia Group- Dario Caldara and Matteo Iacoviello,** a leading global research and consulting firm. This index assesses the potential impact of geopolitical events and trends on the global economy and markets. It helps investors, businesses, and policymakers understand and navigate complex geopolitical risks.

Pair 3 is correctly matched: The **World Investment Report is an annual publication released by the United Nations Conference on Trade and Development (UNCTAD).** It provides a comprehensive analysis of global foreign direct investment (FDI) trends, prospects, and policy issues. The report also explores the development implications of FDI and offers recommendations for policymakers to promote sustainable investment.

113. Solution: (d)

Exp) Option d is the correct answer.

The Bretton Woods System was established in 1944, with the **aim of creating a stable international monetary and financial order after World War II.** Under this system, **countries agreed to peg their currencies to the US dollar, which in turn was pegged to gold at a fixed rate (Eg: $35 per ounce).** If the value of the US dollar fluctuated, it would impact the value of all the other currencies pegged to it.

The system aimed to provide international monetary stability by preventing competitive devaluations and **ensuring a stable exchange rate framework for international trade.**

This system remained in place until 1971, when the US suspended the convertibility of the dollar to gold, marking the end of the Bretton Woods System

114. Solution: (b)

Exp) Option b is the correct answer.

The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 (commonly referred to as the Hong Kong Convention) aims to ensure that ships are recycled in an environmentally sound manner, considering worker safety and minimizing environmental hazards. It sets global standards for ship recycling and is administered by the International Maritime Organization (IMO).

This convention is particularly relevant for countries like India, which has a significant ship recycling industry, especially in Alang, Gujarat.

Important Tips

International Maritime Organization (IMO):

- **Establishment**: It was established as Inter-Governmental Maritime Consultative Organization (IMCO) in 1948,, and was renamed the International Maritime Organization in 1982.
- **Headquarters**: London, United Kingdom.

Key Conventions of IMO:

- **SOLAS (International Convention for the Safety of Life at Sea):**
  - **Adopted**: 1914 (updated versions in 1960 and 1974, with ongoing amendments).
  - **Purpose**: To specify safety standards for ship construction, equipment, and operations.
- **MARPOL (International Convention for the Prevention of Pollution from Ships):**
  - **Adopted**: 1973 (protocol added in 1978).
  - **Purpose**: To prevent pollution of the marine environment by ships due to operational or accidental causes.
- **STCW (International Convention on Standards of Training, Certification, and Watchkeeping for Seafarers):**
  - **Adopted**: 1978 (amended in 1995 and 2010).
  - **Purpose**: To set standards for the training and certification of seafarers to improve safety and reduce human error in maritime operations

115. Solution: (a)

Exp) Option a is the correct answer.

Pair 1 is correct: The **Global Innovation Index (GII)** is **published by the World Intellectual Property Organization (WIPO).** It ranks world economies according to their innovation capabilities. It consists of roughly 80 indicators, grouped into innovation inputs and outputs. It aims to capture the multi-dimensional facets of innovation. **India ranks 39th among 133 economies featured in the GII 2024.**

Pair 2 is incorrect: The **Travel & Tourism Development Index (TTDI)** 2024 is the second edition of a flagship index of the **World Economic Forum.** It is part of the Forum's broader work with industry and government stakeholders **to build a more sustainable, inclusive and resilient future** for economies and local communities. **India ranks 39th in the Travel and Tourism Development Index (TTDI) 2024.**

Pair 3 is incorrect: The **Baltic Dry Index (BDI)** is maintained by the **London-based Baltic Exchange.** It is an index that **tracks the price of transporting dry bulk cargo** like cement, coal, iron ore, and grain on bulk freighters. The BDI is often considered an indicator of economic growth and production as many of these commodities are raw materials that go into the production of finished goods.

116. Solution: (c)

Exp) Option c is the correct answer.

The Brundtland Commission, also known as the World Commission on Environment and Development (WCED), was established by the United Nations in 1983 to examine global environmental challenges and propose solutions. It published the report "Our Common Future," widely referred to as the Brundtland Report, which laid down guiding principles for sustainable development. The report highlighted that major global environmental issues largely result from extreme poverty in the Global South and unsustainable consumption and production patterns in the Global North.

117. Solution: (a)

Exp) Option a is the correct answer.

The **Extended Fund Facility (EFF)**, provided by the **International Monetary Fund (IMF)**, offers financial assistance to countries dealing with significant medium-term balance of payments challenges resulting from structural weaknesses that require a longer period to address. The IMF is an international organisation established to promote global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Statement 1 is incorrect: Extended Fund Facility (EFF) is actually a **lending arrangement** provided by the **International Monetary Fund (IMF),** not the World Bank. The IMF and the World Bank are separate entities with different functions.

Statement 2 is correct: The EFF is designed to provide financial support to countries that are experiencing

significant balance of payments difficulties over a medium-term period, typically for three to four years.

Statement 3 is incorrect: The IMF **does charge interest on loans** provided under various facilities, including the Extended Fund Facility. The **lending rate for loans** provided under the Extended Fund Facility (EFF) comprises several components:

1. The market-determined Special Drawing Rights (SDR) interest rate, which has a minimum floor of 5 basis points.
2. A margin, which is currently set at 100 basis points.
3. These two components together make up the basic rate of charge. Additionally, surcharges are applied depending on the amount and duration of credit outstanding.

118. Solution: (a)

Exp) Option a is the correct answer.

The **New Development Bank (NDB)** is a multilateral development institution founded by the **BRICS nations** (Brazil, Russia, India, China, and South Africa). **It has total of nine members**. As per the NDB Agreement, the bank aims to **finance public or private projects** using various financial tools such as loans, guarantees, equity participation, and others. Additionally, the NDB collaborates with international organisations and financial entities, offering technical assistance for projects it supports.

Statement 1 is correct: The New Development Bank (NDB) was established in **July 2014, during the BRICS Summit held in Fortaleza, Brazil.** And it started operations in July 2015.

Statement 2 is incorrect: The Bank is headquartered in **Shanghai, China** (not in Beijing) with regional offices in South Africa and Brazil.

Statement 3 is incorrect: It is **not compulsory for a country** to be a member of the BRICS group to become a member of the new development bank. For example, **Bangladesh is a member of NDB but not a member of BRICS.**

Members of NDB are:

1) Founding members: Brazil, Russia, India, China and South Africa
2) Non-Founding members: Bangladesh, United Arab Emirates (UAE) and Egypt.

Membership of the Bank is open to members of the United Nations.

Members of BRICS include - Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates.

Statement 4 is incorrect: All members of NDB do **not have equal shareholding**. The initial subscription of the New Development Bank (NDB) consisted of five hundred thousand shares, totalling $50 billion. The founding members equally distributed the initial subscribed capital among themselves. However, **new members of the NDB have fewer shares** compared to the founding members.

119. Solution: (a)

Exp) Option a is the correct answer.

The International Monetary Fund (IMF) and the World Bank are two distinct entities that provide financial assistance and advice to member countries. The collaboration between these two institutions is crucial for addressing various global challenges and assisting countries in their development and financial stability efforts.

Statement 1 is correct: Both the IMF and the World Bank were established as an outcome of the Bretton Woods Conference held in July 1944. This conference laid the foundation for these two key international financial institutions with the goal of creating a more stable and prosperous global economic system.

Statement 2 is incorrect: There are 190 countries that are members of the IMF but there are 189 countries that are members of the World Bank. Andora is the 190th country to join IMF and is not World Bank member currently.

Important Tips

1) The IMF, with its 190 member countries, focuses on stabilizing the international monetary system and acts as a monitor of the world's currencies. The World Bank Group, on the other hand, comprises five institutions, with the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) being the most well-known.
2) The Bretton Woods Institutions are a group of international organizations that include the International Monetary Fund (IMF), the World Bank, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the World Trade Organization (WTO). The Bretton Woods Institutions were established in 1944 to help with global financial stability.

120. Solution: (a)

Exp) Option a is the correct answer.

Negotiated during the Uruguay round, Trade Related Aspects of Intellectual Property Rights (TRIPS) came into effect on 1st Jan 1995 and the deadline for complying with TRIPS obligations for India (a developing country) was January 1st, 2005. Accordingly, The Patents Act, 1970 (of India) was amended twice in 2002 and 2005 to make it fully TRIPS compliant by 2005.

Statement I is correct. Compulsory licensing is a government's authorization to someone else to produce the patented product or process without the consent of the patent owner. While there has been particular attention to the use of compulsory licensing for pharmaceuticals, it can also apply to patents in any field.

However, in the cases of compulsory license, the manufacturer (the compulsory license holder) will have to **pay royalty to the patent owner** as decided by the Government.

Statement II is correct. The **TRIPS Agreement allows compulsory licensing** as part of the Agreement's overall

balance between promoting access to existing drugs and promoting research and development into new drugs. **Article 31** of the Agreement allows compulsory licensing and government use of a patent without the authorization of its owner, under a number of conditions aimed at protecting the legitimate interests of the patent holder. The option to grant a compulsory license under Article 31 for the purpose of manufacturing or import is available to all members. It can cover all products or technologies needed to treat a disease or to fight a pandemic.

Statement II is the correct explanation of the statement I Since India is the signatory of the TRIPS, it allows the compulsory licensing (while following the TRIPS provisions) as and when the need arises.

121. Solution: (b)

Exp) Option b is the correct answer.

The Organisation for Economic Co-operation and Development (OECD) is an international organisation that works to build better policies for better lives. The OECD, encompassing 38 member countries, spans across continents, including North and South America, Europe, and the Asia-Pacific region, providing a global reach for its initiatives and policies. They are represented by ambassadors at the OECD Council, which defines and oversees our work, as set out in the OECD Convention. Costa Rica has become the OECD's 38th Member country.

Statement 1 is incorrect: Tax Inspectors Without Borders (TIWB), **a joint initiative of the United Nations Development Programme (UNDP) and the Organisation for Economic Cooperation and Development (OECD).** TIWB Programmes complement the broader efforts of the international community to strengthen co-operation on tax matters and contribute to the domestic resource mobilisation efforts of developing countries.

Statement 2 is correct: Crypto-Asset Reporting Framework (CARF) is a new set of rules developed by the OECD that provides guidance on how to report cryptocurrency transactions, as well as how to comply with anti-money laundering (AML) and counter-terrorist financing (CTF) regulations. This framework aims to achieve crypto-asset transparency through annual, automatic exchange of information related to crypto-asset transactions among participating jurisdictions whose tax residents engage in such activity.

122. Solution: (a)

Exp) Option a is the correct answer.

The Codex Alimentarius, or "Food Code" is a collection of standards, guidelines and codes of practice adopted by the Codex Alimentarius Commission. The Commission, also known as CAC, is the central part of the Joint FAO/WHO Food Standards Programme. Since its foundation in 1963, the Codex system has evolved in an open, transparent and inclusive way to meet emerging challenges.

Statement 1 is correct: The Codex Alimentarious Commission (CAC), **an international food safety and quality standard-setting body.** Codex standards are based on sound science provided by independent international risk assessment bodies or ad-hoc consultations organized by FAO and WHO.

Statement 2 is correct: It was established jointly by the Food and Agriculture organization (FAO) and the World Health Organization (WHO)in May 1963. The Agreement on Application of Sanitary and Phytosanitary Measures (SPS)of the World Trade Organization (WTO) recognizes Codex standards, guidelines and recommendations as reference standards for international trade and trade dispute settlement.

Statement 3 is incorrect: The Codex food standard **is recommendary in nature and applies voluntarily on the member countries.** Mostly Codex standards serve as a basis for national legislation.

Statement 4 is incorrect: Currently the Codex Alimentarius Commission has 189 Codex Members made up of 188 Member Countries and 1 Member Organization (The European Union). India became the member of Codex Alimentarius in 1964.

123. Solution: (b)

Exp) Option b is the correct answer.

The Most-Favoured-Nation (MFN) principle is a core principle of the World Trade Organization (WTO) that promotes non-discrimination in trade relations between member countries.

1) **Under this principle, if a WTO member grants a specific trade advantage (such as a tariff reduction) to one member country, it must extend the same benefit to all other WTO members.**
2) This principle aims to create a level playing field for trade among member countries by preventing preferential treatment.
3) The MFN principle contributes to increased predictability and stability in the global trading system, as countries can expect consistent treatment from their trading partners.
4) However, there are exceptions to the MFN principle, such as provisions for developing countries and the existence of regional trade agreements.
5) While the MFN principle has limitations, it plays a significant role in facilitating fair and open trade practices within the WTO framework.

124. Solution: (b)

Exp) Option b is the correct answer.

The International Finance Corporation or IFC, is the private sector arm of the World Bank Group and shares its mission to reduce global poverty.

Statement 1 is correct: The International Finance Corporation (IFC) is part of the World Bank Group. It was established in 1956 and operates as a separate entity within the World Bank Group, focusing on promoting private sector development in developing countries by providing financial

products, advisory services, and mobilizing capital from the private sector.

Statement 2 is incorrect: The International Finance Corporation (IFC) primarily provides financing to private sector projects in developing countries, rather than directly to governments. Its main focus is to promote sustainable private sector investment and development in emerging markets through loans, equity investments, guarantees, and advisory services.

Statement 3 is correct: The International Finance Corporation (IFC), the private sector arm of the World Bank, has updated its Green Equity Approach (GEA) policy, announcing that it will no longer permit financial intermediary clients to support new coal projects. Previously, the GEA required clients to halve their exposure by 2025 and eliminate it by 2030, but did not prohibit new investments.

In 2020, IFC introduced the Green Equity Approach (GEA) to assist our financial institution (FI) clients in adapting to a changing global landscape. This approach involved collaborating with FI clients where IFC holds equity or equity-like positions to boost their climate-friendly lending and decrease their involvement in coal-related ventures in alignment with the goals of the Paris Agreement.

125. Solution: (a)

Exp) Option a is the correct answer

Recently, the Government of India appealed against a ruling by the dispute settlement body of the World Trade Organization (WTO). India appealed against a WTO's order that India violated its zero-tariff commitment under the Information Technology Agreement (ITA).

Statement 1 is correct: India is a signatory to the Information Technology Agreement (ITA) (now also known as ITA-1), a plurilateral agreement of WTO. India joined the ITA on 25th March 1997. At present there are altogether **75 member signatories, including 27 EU member countries, accounting for about 97 percent of the world trade** in Information Technology **(IT) products.**

However **India's experience with the ITA has been most discouraging,** which almost wiped out the IT industry from India and the real gainer from that agreement has been China. Thus keeping in view the opinion of the domestic IT industry, **India has decided not to participate in the ITA expansion negotiations for the time being.**

Statement 2 is correct: The Information Technology Agreement (ITA) was concluded by 29 participants at the Singapore Ministerial Conference in December 1996. It is **true that under the ITA, the participants are committed to eliminating tariffs completely on IT products** covered by the Agreement.

Statement 3 is incorrect: The Information Technology Agreement (ITA) is concerned with the regulation of both IT goods as well as services. For instance, the ITA covers data-storage media and software, computers; semiconductors; semiconductor manufacturing equipment; telecommunication apparatus; instruments etc.

126. Solution: (a)

Exp) Option a is the correct answer.

Option 1 is correct. International Monetary Fund (IMF): Established at the Bretton Woods Conference in 1944, the International Monetary Fund (IMF) is a specialized agency of the United Nations. Its purpose is to foster international monetary cooperation, stabilize currency exchange rates, and enhance global liquidity by facilitating access to hard currencies. **India is a founding member of the IMF, having been one of the original signatories of the IMF's Articles of Agreement in 1944.**

Option 2 is incorrect. Bank for International Settlements (BIS): Established in 1930, the Bank for International Settlements (BIS) facilitates international monetary and financial cooperation, functioning as a unique entity that serves as a bank for central banks, fostering global financial stability. **India is not a founding member of the BIS. In 2013, the Reserve Bank of India joined the Bank for International Settlements.** On November 10, 2015, Raghuram Rajan, then Governor of the Reserve Bank of India, made history as the first Indian central banker appointed as the vice-chairman of the Bank for International Settlements (BIS).

Option 3 is incorrect. Asia-Pacific Economic Cooperation (APEC): Established in 1989, Asia-Pacific Economic Cooperation (APEC) is an inter-governmental forum comprising 21 member economies in the Pacific Rim. It fosters free trade across the Asia-Pacific region, evolving from the success of ASEAN's mid-1980s post-ministerial conferences. **India is not a member of APEC.**

Option 4 is incorrect. World Customs Organization (WCO): The World Customs Organization (WCO) is an international organization headquartered in Brussels, Belgium. **Established in 1952**, it serves as a forum for customs administration worldwide. **India became a member of the World Customs Organization (WCO) in 1971 and is not among its founding members.**

127. Solution: (d)

Exp) Option d is the correct answer.

The **World Trade Organisation (WTO)** emerged from the **General Agreement on Tariffs and Trade (GATT) in 1947,** with the formal establishment resulting from the **Uruguay Round negotiations (1986–1994).** These negotiations expanded multilateral rules for trade in goods, introduced **rules for agriculture (Agreement on Agriculture), services (General Agreement on Trade in Services—GATS), and intellectual property rights (Trade Related Intellectual Property Rights—TRIPS).**

Statement 1 is incorrect- The **Special Safeguard Mechanism is only available to developing countries. Developed countries are not eligible to use the SSM.** The SSM was designed to provide developing countries with a tool to **protect their domestic agricultural sectors from sudden and sharp import surges.** This is because developing countries are more likely to be vulnerable to import surges, and they may not have the same resources as developed countries to adjust to these changes.

Statement 2 is incorrect- The import restrictions under the SSM are **limited to a maximum of four years.** It can be further extended under extraordinary circumstances. The import restrictions must also be targeted at specific

products and countries, and they must be applied in a non-discriminatory manner.

128. Solution: (a)

Exp) Option a is the correct answer.

A reserve tranche is a portion of the required quota of currency each member country must provide to the IMF. It can be utilized by a country for its own purpose- **without a service fee or economic reform conditions**. It represents a **member's unconditional drawing rights on IMF. Initially, member nations' reserve tranches are 25% of their quota, but this position can change** according to any lending that the IMF does with its holdings of the member's currency. These are considered as **facilities of first resort**, which means that member countries first utilize reserve tranches **before seeking a formal credit tranche that charges interest.**

Important Tips

1) **Credit Tranche**: Theoretically, members can borrow 100% of their quota. However, if amount sought as credit exceeds reserve tranche, then it becomes credit tranche. Credit tranche must be repaid within three years with interest.
2) **Quota**: Quotas determine the maximum amount of financial resources a member is obliged to provide to IMF. It determines a)Voting power in IMF, b)Access to financing from IMF and c) Member's share in general allocation of Special Drawing Rights (SDRs)

129. Solution: (d)

Exp) Option d is the correct answer.

Important objectives of the International Monetary Fund (IMF) include macroeconomic stability and monetary cooperation, which are essential to increase productivity, job creation and economic well-being. To achieve this, IMF renders financial assistance through a variety of instruments.

Statement 1 is correct: Rapid Credit Facility (RCF) provides rapid concessional financial assistance to low-income countries facing an urgent balance of payments (BoP) need. It was created under the **Poverty Reduction and Growth Trust (PRGT)**. RCF is available only to PRGT-eligible member countries (Which include only low-income countries). On the other hand, the **Rapid Financing Instrument (RFI) is available to any member country of IMF who faces urgent balance of payment need.**

Statement 2 is incorrect: Both RCF and RFI are designed for the situations where full-fledged economic program in not necessary, because:

1. The need is transitory and limited in nature, or
2. Not feasible, because a country's policy design or implementation capacity is limited.

Hence, a full-fledged economic program in not a pre-requisite in both RCF and RFI. Limited conditionality (like some prior actions) may apply in certain cases.

Statement 3 is correct: Access to finance under both the methods is determined by the country's Balance of Payments (BoP) position. Other factors that are considered include the country's **macroeconomic policies, capacity to repay the Fund, the amount of outstanding fund credit, and the members' record of past use of Fund credit.**

Important Tips

The purposes for which funds can be provided under:

1) RCF: external shocks, natural disasters, and emergencies resulting from fragility. The RCF also provides policy support and may help catalyze foreign aid.
2) RFI: commodity price shocks, natural disasters, conflict and post-conflict situations, emergencies resulting from fragility, and food shocks, etc.

130. Solution: (c)

Exp) Option c is the correct answer.

The **International Bank for Reconstruction and Development (IBRD)** is an international financial institution established in 1944 and headquartered in Washington, D.C., United States, that is the lending arm of World Bank Group.

Statement 1 is correct. The Bretton Woods Conference, officially known as the United Nations Monetary and Financial Conference, was a gathering of delegates from 44 nations that met from July 1 to 22, 1944 in Bretton Woods, New Hampshire, to agree upon a series of new rules for the post-WWII international monetary system. The two major accomplishments of the conference were the creation of the International Monetary Fund **(IMF)** and the International Bank for Reconstruction and Development **(IBRD).**

Statement 2 is correct. The IBRD was founded in 1944 with the goal of helping war-torn European countries rebuild their infrastructure and their economies. Today, the IBRD provides loans at market rates of interest to **middle-income developing countries and creditworthy lower-income countries.**

Statement 3 is incorrect. The IBRD provides financial services as well as strategic coordination and information services to its borrowing member countries along with the **technical know-how.**

131. Solution: (a)

Exp) Option a is the correct answer.

Bank for International Settlements was established in 1930 and is owned by 63 central banks, representing countries from around the world that together account for about 95% of world GDP.

Statement 1 is correct: The **Bank for International Settlements** (BIS) is an international financial institution that aims to promote **global monetary and financial stability** through the coordination of **global central banks** and their monetary policy efforts.

Statement 2 is incorrect: The Bank for International Settlements (BIS) is an international financial institution **owned by central banks** that fosters international monetary and financial cooperation and serves as a bank for central banks.

AGRICULTURE

AGRICULTURE

7.1. Agriculture Inputs

1. Consider the following statements:

Statement-I: Large scale adoption of Genetically Modified Crops may lead to scarcity of crop seeds.

Statement-II: Genetically Modified Crops use terminator technology, which deprives these crops of the ability to produce viable seeds of their own.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

2. With regard to the status of chemical fertilizers in India, consider the following statements:

1. India is the largest consumer of chemical fertilizers in the world.
2. India meets nearly 100% of its Potash requirement through imports.
3. The overall consumption of fertilizer has been steadily declining since 2018 due to increased awareness of natural farming.

Which of the above statements is/are correct?

(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

3. The terms 'Dicofol, Dinocap, and Methomyl', are related to:

(a) Types of bio-fertilizers made from bacteria.
(b) Types of novel non-harmful chemicals added in the composting pit to simulate biodegradation.
(c) Types of chemicals used in food preservation techniques.
(d) Types of insecticides utilized in Indian agriculture.

4. With reference to various measures taken by the government to boost the digitalization of land records in India, consider the following statements:

1. National Generic Document Registration System (NGDRS) is a software application for the registration system designed for the exclusive use of sub registrars.
2. Unique Land Parcel Identification Number (ULPIN) System provides a unique ID for every plot of land in the country.
3. SVAMITVA scheme aims to provide Record of Rights to village house owners.
4. Digital India Land Records Modernization Programme (DILRMP) involves Computerization of land record and Registration.

Which of the given above statements are correct?

(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

5. Consider the following features of Neem coated urea:

1. It can potentially increase nutrient use efficiency of crops.
2. It reduces the plants' susceptibility to pests.
3. Its use has drastically reduced India's imports of urea in recent years.
4. It reduces the leaching of nitrate into the groundwater.

Which of the above statements are correct?

(a) 2, 3 and 4 only
(b) 1 and 2 only
(c) 1, 2 and 4 only
(d) 1 and 3 only

6. Consider the following statements with reference to various rights granted to the farmers under the Protection of Plant Varieties and Farmers Rights (PPVFR) Act:

1. There is a provision for compensation to the farmers for non-performance of a registered seed variety under the Act.

2. Farmers who are engaged in Plant genetic resources conservation and crop improvement, receive recognition and rewards from the National Gene Fund.
3. Farmers are entitled to sell branded seed of a variety protected under the act.
4. When a third party uses farmers' varieties to develop a new variety, farmers prior authorization is required for its commercialization

Which of the above statements are correct?
(a) 2, 3 and 4 only
(b) 1 and 2 only
(c) 1, 2 and 4 only
(d) 1 and 3 only

7. With reference to the reasons for low Seed Replacement Rate in India, consider the following statements:
1. Absence of all India policy that emphasizes Seed replacement in India.
2. Higher costs of quality Seeds hinders their access to most of the farmers in India.
3. Lower spending on Research and Development on low-cost quality seeds by Indian Private companies compared to their Global counterparts.

Which of the above statements is/are correct?
(a) 2 only
(b) 2 and 3 only
(c) 3 only
(d) 1, 2 and 3

8. Soil health is critical for healthy food production. Which of the following practices can help in reducing soil erosion?
1. Terrace farming
2. Contour farming
3. Crop rotation
4. Permaculture
5. Biodynamic farming

Which of the options given above are correct?
(a) 1, 2, 3 and 4 only
(b) 2, 3, 4 and 5 only
(c) 1, 3, 4 and 5 only
(d) 1, 2, 3, 4 and 5

9. Which of the following are advantages of Urea Gold fertiliser?
1. Enhances nitrogen availability and uptake by crops.
2. Improves soil health by addressing sulphur deficiency.
3. Lowers input costs while increasing crop productivity.
4. Reduces the overall consumption of fertilizer.

Select the correct answer using the codes given below:
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

10. With reference to Fertiliser industry in India, consider the following statements:
1. The Union government allocates fertilisers to each state for each season.
2. Fertiliser companies can sell subsidized fertilisers directly to the farmers.
3. There is no limit on the sale of fertilizer to one person or one family.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 2
(c) 2 and 3
(d) 1 and 3

11. Which of the following is the most accurate description of the term "Seed Replacement Rate" (SRR) used in the context of agriculture?
(a) It is the percentage of high-yielding variety (HYV) seeds produced in an economy in a year.
(b) It represents the percentage of cropped area covered with Genetically Modified seeds.
(c) It is the percentage of area sown out of total area of crop planted in the season by using certified/quality seeds other than the farm saved seed.
(d) It represents the frequency with which farmers switch between different crop seeds to avoid soil degradation.

12. With reference to the land reforms in India, consider the following statements:
1. In some states Land Ceiling Acts imposed an upper limit on the amount of land that can be owned by an individual.
2. More productive land has a low ceiling limit whereas unproductive land has a higher ceiling limit.
3. In some states, the Land Ceiling Acts allowed a separate share for unmarried women.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1,2 and 3

13. In India, concerns are arising about the use of chemicals fipronil and atrazine. In this context, these chemicals are used as:
(a) pesticides
(b) food preservatives
(c) artificial fruit-ripening agents
(d) moisturizing agents in cosmetics

14. Soil health is assessed using a combination of physical, chemical, and biological indicators. In this context, consider the following parameters:
1. Potassium
2. Zinc
3. Sodium Adsorption Ratio (SAR)
4. EC (Electrical Conductivity)
5. OC (Organic Carbon)
6. pH (Acidity or Basicity)

The Soil Health Card contains the status of the soil by providing information of how many of the above parameters present in the soil?
(a) Only three
(b) Only four
(c) Only five
(d) All six

15. Consider the following varieties of soils found in India:
1. Alluvial soils
2. Laterite soils
3. Peaty soils
4. Arid soils

How many of the above mentioned soil types generally have high level of humus content?
(a) Only one
(b) Only two
(c) Only three
(d) All four

16. Which among the following is the biggest cause of concern for the terminator seed technology?
(a) Consumption of food grown of them may lead to sterility in animals and humans
(b) Increased dependence on government
(c) Increased usage of chemical pesticides
(d) Threat to food security and farmer livelihoods

17. With reference to the Policy Framework for Genetically Modified (GM) Crops, consider the following statements:
1. The Genetic Engineering Appraisal Committee (GEAC) is the highest authority in India that authorises the release of GM crops for commercial use.
2. In India, the Food Safety and Standards Authority of India (FSSAI) is empowered to regulate food from genetically modified (GM) crops.
3. The GM food imports in India require approvals under the Biological Diversity Act, 2002.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

18. With reference to 'Sub-surface drip irrigation', consider the following statements:
1. It uses buried polyethylene tubes to apply water directly to the crop root zone.
2. It helps in water conservation by reducing water loss from evaporation.
3. It has low initial installation cost as compared to surface drip irrigation.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

19. The Ministry of Jal Shakti has released the report of India's first water bodies census. In this context consider the following water bodies:
1. Ponds
2. Tanks
3. Lakes
4. Reservoirs

Arrange the above in decreasing order based on their percentage share of the total number of water bodies:
(a) 1-2-3-4
(b) 1-2-4-3
(c) 3-1-2-4
(d) 3-4-2-1

20. With reference to the various types of soils in India, consider the following statements:

The Red and Yellow Soil:

1. generally develops on sedimentary rocks in areas of high rainfall.
2. is mostly found in the eastern and the southern parts of the Deccan Plateau.
3. has very high nitrogen and phosphorous content.

Which of the statements given above is/are correct?

(a) 2 only
(b) 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

21. With reference to the seed sector in India, consider the following statements:

1. Foreign Direct Investment (FDI) of up to 100% is permitted in the seed sector under the automatic route subject to certain conditions.
2. No license is required for the export of any type of seed from India.
3. India's seed industry has the largest market size in the world.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2
(c) 2 and 3
(d) 1 and 3

22. Consider the following with reference to the advantages of the Bio fertilizers:

1. Fixes atmospheric nitrogen into organic forms.
2. Promotes the absorption of micronutrients by plants.
3. Aids the process of mineralisation with organic matter decomposition.
4. Secrete hormones which promote root growth in drought conditions.

Which of the given above statements are correct?

(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

23. Consider the following statements regarding the rights of different stakeholders under the Protection of Plant Varieties and Farmers' Rights (PPV&FR) Act, 2001:

1. A breeder or his successor, his agent or licensee have an exclusive right to produce, sell, import and export any registered plant variety under this act.
2. Researchers can use any registered variety under the act for conducting experimental research.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

24. The terms 'Imazethapyr & Glyphosate' are used in the context of:

(a) Herbicides used in agriculture.
(b) Genetically modified crops.
(c) Fertilizers used to enhance soil quality.
(d) Pesticides used to control insect pests.

25. Consider the following sources of irrigation:

1. Canals
2. Tanks
3. Tube wells

Which of the following represents the correct ascending order of sources of irrigation in India, based on the net irrigated area they cover?

(a) 1-2-3
(b) 2-1-3
(c) 3-1-2
(d) 2-3-1

26. Consider the following statements regarding Peaty soils:

Statement I: These soils are typically rich in humus and organic content.

Statement II: These soils are generally found in areas having heavy rainfall and high humidity.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I.
(b) Both Statement-I and Statement-II are correct but Statement-II does not explain Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

27. Consider the following statements with respect to Urea Gold:

1. It is a type of fertilizer coated with Sulphur.
2. It has better Nitrogen use efficiency as compared to Neem Coated Urea.
3. It reduces water pollution & salt index when compared to conventional urea.

Which of the statements given above is/are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 3 only
(d) 1, 2 and 3

28. Use of biofortified seeds, which are developed to enhance the nutritional value of the crops, results in:

1. Higher levels of essential nutrients in crops than in crops developed using traditional seed varieties.
2. Lesser crop yields in general, than the crop yields of traditional seed varieties.
3. Deterioration in soil quality, generally, due to higher nutrient uptake.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) 1, 2 and 3

29. Consider the following statements with reference to the Bio-pesticides:

1. Biopesticides are pesticides derived from natural sources.
2. Bio-pesticides are not harmful to humans.
3. Virus, bacteria, and protozoa, all three can be used as biopesticides.

Which of the above given statements is/are correct?

(a) 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

30. Arrange the following in decreasing order of their share in the total agricultural credit in India:

1. Scheduled commercial banks
2. Regional rural banks
3. Cooperatives

Select the correct answer using the codes given below:

(a) 1>2>3
(b) 3>2>1
(c) 1>3>2
(d) 2>1>3

31. Which of the following options best describe the meaning of the term "Herbigation"?

It is an/a-

(a) effective method of applying herbicides through irrigation systems.
(b) method for production of natural drugs obtained from organisms such as plants, microbes, and animals.
(c) process of application of volatile chemicals to confined spaces or soil to produce gas that will destroy weed seeds.
(d) process aimed at destroying the aggregates of soil by agricultural operations on it when it is too wet.

32. With reference to Zinc (Zn), a micro-nutrient required for plant growth, consider the following factors:

1. Increase in soil pH decreases zinc availability in the soil.
2. Khaira disease in rice may be caused by zinc deficiency.
3. Zinc helps in activation of enzymes which are vital for plant growth.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

33. Consider the following Rules/Acts:

1. Wildlife Protection Act, 1972
2. Plant Quarantine Order (Regulation of Import into India), 2003
3. Food Safety and Standards Act, 2006
4. Environment Protection Act, 1986

How many of the above rules/acts regulate Genetically Modified (GM) crops in India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

34. Consider the following statements with respect to Drip irrigation:

1. It controls weed growth.
2. It reduces fungal diseases in plants.
3. It involves a high installation cost.
4. It reduces loss of soil nutrients.

Which of the given above statements are correct?
(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

7.2. Crops, Cropping Patterns and Sustainable Practices

35. Which of the following principles/practices are followed in Conservation Agriculture?
1. Direct seeding.
2. Crop rotation.
3. Covering soil with crop residues.

Select the correct answer using the code given below:
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

36. Consider the following statements regarding conditions required for rubber cultivation in India:
1. Tropical climate with annual rainfall of 2000 – 4500 mm is suited for cultivation.
2. Minimum and maximum temperature ideal for rubber cultivation ranges from 25 to 34°C with high relative humidity.
3. Rubber cultivation needs high elaborated flat land where there is no possibility of water stagnation.

Which of the statements given above is/ are correct?
(a) 2 only
(b) 1 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

37. Consider the following statements regarding methods of cropping in agriculture:
1. Relay cropping is a method of multiple cropping where one crop is seeded into a standing second crop well before harvesting of second crop.
2. Strip intercropping strategy is most widely used in growing tomatoes, eggplants and potatoes together.
3. Intercropping mechanism requires that different types of plants are grown in the same space at the same time.

Which of the statement/s given above is/are correct?
(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

38. With reference to the Paira Cropping System, consider the following statements:
1. It is a relay cropping system which involves sowing pulses crop in standing paddy fields before harvest.
2. It does not require agronomic interventions such as tillage, irrigation or fertilizers for crop growth.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

39. With reference to Makhana (Fox Nuts), consider the following statements:
1. It is primarily cultivated in stagnant perennial water bodies such as ponds and lakes.
2. It requires high-altitude cold climatic conditions for its growth.
3. It is a rich source of carbohydrates, proteins and antioxidants.
4. More than four-fifth of India's total Makhana is produced by Bihar alone.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1, 3 and 4 only
(c) 2, 3 and 4 only
(d) 1, 2, 3 and 4

40. Which of the following are the conditions best suited for Tea cultivation?
1. Tropical climate
2. Soil rich in humus
3. Cold and dry conditions
4. Annual Rainfall less than 100 cm
5. Temperature between 21 to 29°C

Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 2, 3 and 5 only
(c) 2 and 4 only
(d) 1, 2 and 5 only

41. Which of the following are the advantages of cultivating millets over conventional cereals?

1. They can grow across wide latitudinal range.
2. They requires less water than wheat and rice.
3. They can withstand heat, flood and drought.
4. They are highly resistant to pests and diseases.
5. They are free of gluten.

Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 1, 2, 3 and 5 only
(c) 2, 3, 4 and 5 only
(d) 1, 2, 3, 4 and 5

42. The concept of green manuring is quickly gaining popularity in organic farming. In this context which of the following can be considered as advantages of "Green manuring.":
1. It increases water holding capacity of soil
2. It helps in reclamation of alkaline soils.
3. It can be helpful in reducing weed growth.

Which of the options given above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1,2 and 3

43. Which of the following statements are the advantages of Zero tillage farming?
1. Reduction in the crop duration and higher yields
2. Zero cost of inputs used for land preparation
3. Helpful in carbon sequestration
4. Reduces compaction of the soil

Select the correct answer using the code given below:
(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

44. Dhara Mustard Hybrid (DMH-11) is an indigenously developed transgenic mustard. Consider the following statements with reference to DMH-11:
1. Recently the Genetic Engineering Appraisal Committee (GEAC) has approved the commercial production of hybrid mustard DMH-11.
2. It is a genetically modified variant of Herbicide Tolerant (HT) mustard.
3. It is a result of a cross between Indian mustard variety 'Varuna' and East European 'Early Heera-2' mustard.

Which of the above given statements are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

45. Consider the following statements with reference to Reversative agriculture:
1. It is a low-cost farming technique to reduce greenhouse gas emissions from agriculture.
2. Organic farming and Natural farming are the examples of reversative agriculture

Which of the above given Statements is/are correct?
(a) 1 Only
(b) 2 Only
(c) Both 1 and 2
(d) Neither 1 nor 2

46. With reference to the applications of Blockchain technology in agriculture, consider the following statements:

Blockchain Technology can be used for-
1. improving agricultural supply chain traceability.
2. establishing decentralized marketplaces.
3. digitization of land records.
4. protecting intellectual property rights related to agricultural innovations.
5. strengthening the Agricultural insurance system.

How many of the statements given above are correct?
(a) Only two
(b) Only three
(c) Only four
(d) All five

47. "This irrigation technique involves intermittent application of water in a series of ON and OFF modes of constant or variable time spans. It helps in increasing the irrigation efficiencies and conserving irrigation water".

Which one of the following irrigation methods has been best described in the above given paragraph?
(a) Furrow Irrigation
(b) Surge Flow Irrigation
(c) Check Basin and Border Strip Irrigation
(d) Subsurface Drip Irrigation

48. With reference to the difference between the characteristics of Organic farming and Zero Budget Natural Farming (ZBNF), consider the following statements:

1. While the ZBNF involves zero tillage of land, organic farming sometimes involves tillage of land for growing crops.
2. Unlike organic farming, the ZNBF promotes the cultivation of genetically modified varieties for improved yields.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

49. Consider the following statements:

1. More than half of India's domestic demand for edible oil is met through imports.
2. The domestic production of oilseeds in India has been steadily decreasing since 2015-16.
3. Soybean oil constitutes the largest share among all imported edible oils in India

Which of the statements given above is/ are correct?

(a) 1 only
(b) 1 and 2 only
(c) 3 only
(d) None of the above

50. Consider the following conditions:

1. It requires Annual rainfall between 75-100 cm.
2. It needs a hot and humid climate with a temperature of 21°C- 27°C.
3. It requires well-drained soil with good fertility.
4. Around 55 per cent of its total production area in India is in the sub-tropics.

The above given conditions best represent which of the following crops?

(a) Maize
(b) Wheat
(c) Sugarcane
(d) paddy

51. With reference to Indian Agriculture, consider the following statements:

Statement I: Rice and cotton are primarily sown in kharif season in India.

Statement II: Both rice and cotton crops require warm and wet weather during major growth periods.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

52. Consider the following statements regarding agricultural land use practices:

Statement I: Generally, Gross cropped area is more than Net Sown area.

Statement II: Gross cropped area counts the total area sown once and/or more than once in a particular year, whereas net sown area counts the area sown with crops only once in a year.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

53. With reference to the Horticulture sector in India, consider the following statements:

1. Indian horticulture sector contributes more than 30% to the agriculture Gross Value Added (GVA) in 2023-24.
2. India accounts for approximately 10% of the global trade in the horticulture sector.
3. India is the world's largest producer of vegetables and fruits.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 2 only

54. Consider the following:

1. Increased water infiltration
2. Suppressing weed growth
3. Controlling soil erosion

4. Regulating the soil temperature
5. Improving microbial biodiversity in the soil

How many of the above are advantages of mulching?
(a) Only two
(b) Only three
(c) Only four
(d) All five

55. Consider the following statements:

Statement - I: Silvopasture system contributes to nutrient cycling, improved soil stability and quality, while effectively combating erosion.

Statement - II: Silvopasture system integrates trees, forage and livestock on the same land.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement for Statement-I
(c) Statement-I is correct but Statement-II is incorrect
(d) Statement-I is incorrect but Statement-II is correct

56. With reference to yellow rust or Stripe rust, consider the following statements:

1. It is a fungal disease.
2. It primarily affects wheat crops.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

57. With reference to Regenerative agriculture (RA), consider the following statements:

1. It mainly focuses on improving soil health.
2. Zero tillage or minimal tillage is mostly practiced in RA.
3. It totally bans the use of synthetic fertilizers.
4. Adaptive multi-paddock grazing (AMP) is practiced in RA.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 1 and 4 only
(c) 1, 2 and 4 only
(d) 1, 2, 3 and 4

58. Consider the following products:

1. Rice
2. Wheat
3. Milk
4. Pulses
5. Tea
6. Millets

For how many of the above-mentioned products, India is the largest producer globally?
(a) Only three
(b) Only four
(c) Only five
(d) All six

59. With reference to the conditions required for the cultivation of cashew, consider the following:

1. Well-drained deep sandy loam soils.
2. Annual rainfall requirement of 200 to 350 cm.
3. 5 to 15°C range of Annual temperature

How many of the above conditions are essential for cashew cultivation?
(a) Only one
(b) Only two
(c) All three
(d) None

60. Consider the following statements:

1. The government of India provides Minimum Support Price for copra.
2. Madhya Pradesh is the largest producer of copra in India.

Which of the statements given above are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

61. With reference to 'Pulses and its production in India', consider the following statements:

1. India is the world's largest producer, consumer, and importer of pulses in the world.
2. Kharif pulses contribute more than 80% of the total annual production of the pulses in India.
3. Gram (Chickpeas) accounts for more than 40% in the total production of the pulses in India.

Which of the above given statements is/are correct?

(a) 1 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

62. With reference to Rapeseed, consider the following statements:

1. It is a subtropical crop cultivated during rabi season in India.
2. It can grow under a wide range of soil conditions varying from sandy loam to clay loam soils.
3. White rust disease can potentially reduce its yield.
4. Chhattisgarh is the major producer of the rapeseed in India.

Which of the above given statements is/are correct?

(a) 1, 2 and 4 only
(b) 1 and 3 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

63. Consider the following statements with reference to Cereal production in India:

1. They account for about half of total cropped area in India.
2. India is the largest exporter of cereal products in the world.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

64. With reference to Aeroponics, consider the following statements:

1. It is a soil-less gardening method where roots of plants are exposed in air.
2. One of the advantages of using aeroponics, is involvement of low-cost at the initial stage.
3. Pesticides are generally not used in aeroponic growing system.

Which of the above given statements is/are correct?

(a) 3 only
(b) 1 and 3 only
(c) 1 only
(d) 2 and 3 only

65. Consider the following statements regarding the agricultural practices in India:

Statement-I: Intensive agriculture with extensive irrigation may lead to formation of saline soils.

Statement-II: Excessive irrigation elevates the water table through capillary action and brings salts closer to the soil surface.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
(c) Statement-I is correct but Statement-II is incorrect.
(d) Statement-I is incorrect but Statement-II is correct.

66. At the present level of development, which of the following are the applications of Artificial Intelligence (AI) in agriculture and allied sectors?

1. Detection of weed affected areas
2. Precise application of fertilizers
3. Detection of nutrient deficiencies in crops
4. Direct genetic improvement of farm animals
5. Precise mapping of soil variability

Select the correct answer using the code given below:

(a) 3 and 4 only
(b) 1, 2, 3 and 5 only
(c) 1, 2 and 5 only
(d) 1, 2, 3, 4 and 5

67. With reference to the livestock sector in India, consider the following statements:

1. The contribution of livestock to the Gross Value Added (GVA) of agriculture and related sectors has more than doubled in the last 10 years.
2. The compound annual growth rate of milk production in India is higher than the global average annual growth rate of milk production.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

68. Consider the following crops:

1. Wheat
2. Mustard
3. Cotton
4. Maize
5. Gram

How many of the above are primarily Kharif crops in India?

(a) Only two
(b) Only three
(c) Only four
(d) All five

69. Consider the following pairs with reference to cropping patterns and their descriptions:

Cropping Pattern	Description
1. Relay Cropping	Growing a second crop before the first crop is harvested.
2. Inter Cropping	Growing two or more crops simultaneously without any row arrangement of crops.
3. Ratoon Cropping	Growing a new crop from the residual stubble of the previous crop.

How many of the pairs given above are correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

70. With reference to Agriculture, consider the following:

1. Higher agricultural productivity
2. Reduced pesticide usage
3. Better water use efficiency
4. Early identification of plant diseases
5. Reduced labour costs
6. Lower upfront investment

How many of the above are the advantages of Precision farming over conventional methods?

(a) Only three
(b) Only four
(c) Only five
(d) All six

71. The "Direct Seeding of Rice" (DSR) method involves sowing seeds directly into the field without prior puddling or transplanting. Which of the following are its advantages over traditional transplantation methods?

1. Reduced labor requirement
2. Lower emissions of methane
3. Decreased usage of water
4. Lower risk of lodging
5. Faster maturation of crops

Select the correct answer using the code given below:

(a) 1, 2 and 3 only
(b) 2, 4 and 5 only
(c) 1, 2, 3 and 5 only
(d) 1, 2, 3, 4 and 5

72. Consider the following:

1. Efficient nutrient uptake by crops
2. Increased water and fertilizer use efficiency
3. Decreased clogging risks in irrigation systems
4. Prevention of soil erosion and nutrient leaching

How many of the above are advantages of fertigation in agriculture?

(a) Only one
(b) Only two
(c) Only three
(d) All four

73. With reference to agricultural systems, consider the following statements:

1. It is generally dominated by wet paddy cultivation or by crops like wheat, sorghum and barley.
2. Large holdings of land for agricultural activities are the general characteristics of this agricultural system.
3. Use of machinery is limited and most of the agricultural operations are done by manual labour in this agricultural system.
4. It leads to higher crop yield per unit area.

Which of the statements given above are correct regarding the Intensive Subsistence Agriculture?

(a) 1, 3 and 4 only
(b) 2 and 4 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

74. Consider the following states:

1. West Bengal
2. Assam
3. Kerala
4. Sikkim

How many of the above are among the top five tea producing states in India?
(a) Only one
(b) Only two
(c) Only three
(d) All four

75. With reference to the production of sugarcane in India, which of the following statements are correct?
1. The total annual sugarcane production has steadily increased during the last five years.
2. The per hectare yield of sugarcane in peninsular India is generally higher than that of Northern states.
3. In 2023-24, Maharashtra was the largest sugarcane producing state in India.
4. India is the second largest producer of sugarcane in the world after Brazil.

Select the correct answer using the code given below:
(a) 1 and 3 only
(b) 2 and 4 only
(c) 1, 2 and 4
(d) 2, 3 and 4

76. Consider the following characteristics of a region:
1. It has a moist and humid climate throughout the year.
2. It has a temperature above 25°C.
3. It has an average rainfall of more than 200 cm.
4. It receives rainfall throughout the year.

The region is most suitable for the cultivation of which of the following crops?
(a) Cotton
(b) Gram
(c) Bajra
(d) Rubber

77. In a given year, if the gross cropped area is greater than the net area sown, it means:
(a) the total agricultural production has declined in a given agricultural year.
(b) there has been a shift towards less intensive agricultural practices.
(c) the same land is being used for multiple cropping within the same agricultural year.
(d) a decline in total cropping intensity with a decrease in the number of crops grown on the same land.

78. Consider the following::
1. Sugarcane
2. Oil seeds
3. Pulses
4. Nutri/Coarse cereals

Arrange the above categories of crops in decreasing order in terms of the area under cultivation for these types of crops in India in the Financial Year 2022-23?
(a) 2-3-4-1
(b) 4-3-1-2
(c) 2-4-3-1
(d) 4-2-3-1

79. Consider the following statements :

Statement-I: Rajasthan is the leading producer of Bajra amongst all the states in India.

Statement-II: Rajasthan has a hot and arid climate with low rainfall, suitable for the growth of Bajra.

Statement-III: Rajasthan has sandy soils that are ideal for the cultivation of Bajra.

Which one of the following is correct in respect of the above statements?
(a) Both Statement-II and Statement-III are correct and both of them explain Statement-I
(b) Both Statement-II and Statement-III are correct, but only one of them explains Statement-I
(c) Only one of the Statement II and III is correct and that explains Statement-I
(d) Neither Statement-II nor Statement-III is correct

80. Consider the following statements regarding cotton cultivation in India:
1. India is the largest producer of cotton in the world.
2. India accounts for about 40% of the world's area under cotton cultivation.
3. About two-third of India's cotton is produced in rainfed areas.
4. India is the only country in the world that cultivates all the four species of cotton on commercial scale.

Which of the statements given above are correct?
(a) 1 and 2 only
(b) 2, 3 and 4 only
(c) 3, and 4 only
(d) 1, 2, 3, and 4

81. Which of the following crops is known as 'bread of tropics' and also used in production of bioplastics?
(a) Quinoa
(b) Cassava
(c) Sorghum
(d) Amaranth

82. Consider the following practices:
1. Cultivation of cover crops
2. Crop rotation
3. Zero tillage
4. Contour farming

Which of the practices given above can help in water conservation in agriculture?
(a) 1, 2 and 3 only
(b) 3 and 4 only
(c) 1, 2 and 4 only
(d) 1, 2, 3 and 4

83. Consider the following statements about coffee cultivation in India:
1. India is the second-largest producer of coffee in the world, after Brazil.
2. Karnataka produces more than two-thirds of the total coffee produced in India.
3. Coffee requires a tropical climate with moderate rainfall and shade for optimal growth.

Which of the above statements are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

84. This aquaculture technology uses beneficial bacteria to convert fish or shrimp waste and uneaten feed into microbial biomass. This biomass, in turn, becomes a protein-rich food source that can be consumed by the aquatic animals themselves. It helps in reducing water pollution, lowers feed costs, and improves water quality by recycling nutrients within the system.

Which one of the following best describes the technology explained above?
(a) Recirculating Aquaculture System (RAS)
(b) Biofloc Technology (BFT)
(c) Raceway Aquaculture System
(d) Integrated Multi-Trophic Aquaculture (IMTA)

85. Consider the following plants:
1. Tomato
2. Brinjal
3. Chilli

How many of the above belong to the potato family (Solanaceae)?
(a) Only one
(b) Only two
(c) All three
(d) None

86. Consider the following statements:
1. Tropical climate with annual rainfall of 2000 – 4500 mm is suited for cultivation.
2. A temperature between 25 to 34°C with 80 % relative humidity is ideal for cultivation.
3. It is typically grown up to an elevation of 450 meters from sea level.

Which one of the following crops is described in the above statements?
(a) Tea
(b) Coffee
(c) Cardamom
(d) Rubber

87. With reference to crop production in the year 2023-24 as per the Economic Survey 2024-25, consider the following pairs:

	Crop	Largest Producing State in India
1.	Rice	West Bengal
2.	Wheat	Uttar Pradesh
3.	Cotton	Maharashtra
4.	Tur	Madhya Pradesh
5.	Groundnut	Gujarat

How many of the pairs given above are correctly matched?
(a) Only two
(b) Only three
(c) Only four
(d) All five

88. Consider the following:
1. Land under miscellaneous tree crops
2. Current Fallow
3. Culturable Waste Land

How many of the above land use categories in India are included under the total arable land?
(a) Only one
(b) Only two
(c) All three
(d) None

89. Consider the following list of Indian States:
1. Maharashtra
2. Himachal Pradesh

3. Telangana
4. Tripura

How many of the above are the major turmeric-producing states in India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

7.3. Food Processing

90. With reference to the Fishery Survey of India (FSI), consider the following statements:

1. It functions under the Ministry of Agriculture and Farmers Welfare.
2. It is responsible for the survey and assessment of the marine fishery resources in the Indian Exclusive Economic Zone (EEZ).
3. It is the nodal agency for the implementation of the Pradhan Mantri Matsya Sampada Yojana (PMMSY).

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

91. Which of the following best explains the Cobweb cycle / phenomenon which was in the news recently?

(a) It refers to a phenomenon where the prices of certain goods witness fluctuations that are cyclical in nature.
(b) It refers to the periodic rise of some agricultural commodities due to their scarce production.
(c) It is a phenomenon where the price of certain agricultural commodities rises more rapidly than the prices of other goods and services.
(d) It refers to a cycle of price rise of all agriculture commodities during Stagflation.

92. Consider the following statement regarding fisheries sector in India:

1. India ranks first in the world in fish production and aquaculture.
2. The fish farmers are eligible for loan under the Kisan Credit Card scheme.
3. The Union Budget 2025-26 has proposed to set up, first of its kind, Fisheries and Aquaculture Infrastructure Development Fund (FIDF) to intensify development of fisheries infrastructures in India.

Which of the above statements is/are correct?

(a) 1 only
(b) 2 only
(c) 2 and 3
(d) 1 and 3

93. With reference to National Fisheries Development Board (NFDB), consider the following statements:

1. It is an autonomous organization under the Ministry of Agriculture.
2. NFDB focuses on training and empowering women in the fisheries sector to generate substantial employment
3. NFDB is the implementing agency of Fisheries and Aquaculture Infrastructural Development Fund (FIDF)

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

94. With reference to Fisheries sector of India, consider the following statements:

1. India is the second largest fish producing country in the world with 25% of global production.
2. Inland fisheries production is more than marine fisheries production in India.
3. Fisheries farmers are eligible to obtain credit under Kisan Credit Card (KCC) scheme.
4. Pradhan Mantri Matsya Sampada Yojana provides insurance coverage to fishers in India.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 1, 2 and 3 only
(c) 2, 3 and 4 only
(d) 3 and 4 only

95. The food processing industry plays a key role in connecting farmers to consumers. In this context, to promote the food processing industries in India, government has:

1. allowed 100 percent Foreign Direct Investment (FDI) approval under automatic route in the food processing sector.
2. changed the FSSAI's clearance procedure for processed food products, from product-by-product approval to an

ingredient and additive based approval process.
3. launched Pradhan Mantri Kisan Sampada Yojana.
4. included food & agro-based processing units under Priority Sector Lending.

Which of the statements given above is/are correct?
(a) 1 and 2 only
(b) 2, 3 and 4 only
(c) 1, 2 and 3 only
(d) 1, 2, 3 and 4

96. With reference to National Dairy Development Board (NDDB), consider the following statements:
1. It is a statutory body established under the National Dairy Development Board Act, 1987.
2. It operates under the Ministry of Agriculture and Farmers Welfare.
3. It decides milk procurement price by cooperatives and private companies from farmers.
4. Along with the National Cooperative Development Corporation, it implements Dairy processing and Infrastructure Development Fund (DIDF).

Which of the above statements are correct?
(a) 1, 2 and 4 only
(b) 1 and 4 only
(c) 2 and 3 only
(d) 1, 3 and 4 only

97. Consider the following statements:

Statement I: Pressmud is a valuable resource for green energy production.

Statement II: Pressmud can be used as a feedstock for biogas production through anaerobic digestion.

Which one of the following is correct in respect of the above statements?
(a) Both Statement I and Statement II are correct and Statement II is the correct explanation for Statement I.
(b) Both Statement I and Statement II are correct but Statement II is not the correct explanation for Statement I.
(c) Statement I is correct but Statement II is incorrect.
(d) Statement I is incorrect but Statement II is correct.

7.4. Government Initiatives and International Agreements

98. Consider the following crops:
1. Masur (Lentil)
2. Rapeseed-mustard
3. Arhar (Tur)
4. Flaxseed
5. Bajra (Pearl Millet)

For how many of the above crops does the Government of India announce Minimum Support Price (MSP)?
(a) Only two
(b) Only three
(c) Only four
(d) All five

99. What is the primary objective of Prime Minister Dhan-Dhaanya Krishi Yojana?
(a) Ensuring remunerative prices to the producers of oilseed whose remunerative price fall below the minimum support price announced by the Government of India.
(b) Doubling the farmers income through promotion of contract farming and sustainable farming practices.
(c) Increasing the area under millet cultivation by promoting their adoption in water stressed areas.
(d) Enhancing agricultural productivity conditions in 100 districts with low agricultural productivity, moderate crop intensity, and below-average access to credit.

100. The Price Support Scheme under Umbrella Scheme of Pradhan Mantri Anna data AaySanrakshan Abhiyan allows for the procurement of certain crops in consultation with the concerned State Government as and when market price of these produce fall below the Minimum Support price. In this context consider the following crops:
1. Copra
2. Cotton
3. Pulses
4. Tomato
5. Onion

How many of the above notified crops are covered under the Price Support scheme?
(a) Only two
(b) Only three
(c) Only four
(d) All five

101. Consider the following Farm subsidies presently provided in India:

1. Fertilizer subsidies (Urea)
2. Interest rate subvention for crop loans
3. Power subsidies for irrigation
4. Cash transfers to farmers under PM-KISAN

How many of the subsidies listed above are primarily examples of indirect subsidies?
(a) Only one
(b) Only two
(c) Only three
(d) All four

102. With reference to the Codex Alimentarius Commission (CAC), consider the following statements:

1. It was established jointly by the Food and Agriculture Organization (FAO) and the World Health Organization (WHO).
2. It is responsible for developing international food standards.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

103. In the context of the World Trade Organization (WTO), which of the following statements best describe the "Peace Clause"?

(a) A provision requiring developed countries to give preference to least developed countries while importing agricultural products.
(b) A temporary safeguard allowing developing countries to continue public stockholding and food subsidy programmes without facing legal challenges at the WTO.
(c) A clause under the rule mandating the elimination of all blue box and amber box subsidies by all member countries.
(d) A provision allowing member countries to revoke the Most Favoured Nation status of one of its trading partners.

104. Consider the following factors:

1. Imputed value of unpaid family labour
2. Cost of hired labour
3. Rental value of owned land
4. Value of owned capital assets

Presently, how many of the above costs are included in the calculation of Minimum Support Prices (MSP) for specific crops by the Commission for Agricultural Costs and Prices (CACP)?
(a) Only one
(b) Only two
(c) Only three
(d) All four

105. Which one of the following statements is correct regarding the Food Corporation of India (FCI)?

(a) It is a Public Sector Undertaking (PSU) under the Ministry of Consumer Affairs, Food and Public Distribution.
(b) It was established under the Essential Commodities Act, 1955.
(c) It is responsible for determining minimum buffer stock norms on a quarterly basis.
(d) It issues licences to Fair Price Shops under the Public Distribution System.

106. Which of the following organizations accords the status of Globally Important Agricultural Heritage Systems (GIAHS) to traditional agricultural systems worldwide?

(a) United Nations Educational, Scientific and Cultural Organization (UNESCO)
(b) Food and Agriculture Organisation (FAO) of the United Nations
(c) World Grains Council (WGC)
(d) World Food Programme (WFP)

107. Consider the following statements about the Pradhan Mantri (PM) Kisan Maan Dhan Yojana:

1. Each subscriber to the scheme is guaranteed a minimum pension of Rs. 3000 per month upon reaching the age of 60 years.
2. All the farmers in India below the age of 40 years are eligible to subscribe to this scheme.
3. Under the scheme, the central government contributes an equal amount as contributed by the eligible subscriber, to the pension fund.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

108. Consider the following statements about the Agriculture Infrastructure Fund Scheme:

1. It is a central-sector scheme.
2. It ensures credit guarantee coverage thereby lowering the risks for the lending institutions.

3. Non-Banking Financial Companies are eligible to participate as lenders under this scheme.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

109. Consider the following missions:

1. Mission for Integrated Development of Horticulture (MIDH)
2. National e-Governance Plan in Agriculture (NeGP-A)
3. National Food Security Mission (NFSM)
4. National Mission for Sustainable Agriculture (NMSA)

How many of the above schemes/missions are covered under the Krishonnati Yojana?

(a) Only one
(b) Only two
(c) Only three
(d) All four

110. With reference to Pradhan Mantri Kisan Sampada Yojana, consider the following statements:

1. It is a Centrally Sponsored scheme.
2. Recently under the scheme Mega Food Park has been announced in each district of the country.
3. Ministry of Agriculture & Farmers Welfare is the nodal department for its implementation.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 2 and 3 only
(d) None of the above

111. Kisan Rin Portal (KRP) is related to:

(a) Access to agricultural Crop insurance.
(b) Access to Centralized agricultural Market Produce.
(c) Access to credit services under the Kisan Credit Card.
(d) Access to Agricultural Extension services.

112. Consider the following information:

Body	Associated Ministry	Important Function
1. National Agricultural Cooperative Marketing Federation (NAFED)	Ministry of Rural Development	Organize marketing and storage of agricultural produce.
2. Agricultural and Processed Food Products Export Development Authority (APEDA)	Ministry of Commerce and Industry	Certification of organic agricultural products for export
3. Tribal Cooperative Marketing Development Federation (TRIFED)	Ministry of Tribal Affairs	Promoting tribal products and improving market access for tribal artisans

In how many of the above rows is the given information correctly matched?

(a) Only one
(b) Only two
(c) All three
(d) None

113. Consider the following statements regarding the National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds), recently launched by the Union Government:

1. The mission aims to increase primary oilseed production to around 200 million tonnes annually.
2. The mission will focus on enhancing the production of key primary oilseed crops such as Rapeseed-Mustard, Groundnut and Soybean.
3. The mission plans to expand oilseed cultivation by an additional 40 lakh hectares.

Which of the statements given above is/are correct?

(a) 1 and 2
(b) 2 only
(c) 2 and 3
(d) 1 and 3

114. With reference to the Pradhan Mantri Fasal Bima Yojana (PMFBY), consider the following statements:

1. The premium rates under the scheme payable by the farmers is 2% for kharif crops and 1.5 % for rabi crops.

2. Post-harvest losses are not covered for insurance under the Scheme.
3. All farmers availing agricultural loans for the notified crops will be compulsorily covered under the scheme.

Which of the statements given above is/are correct?
(a) 1 only
(b) 3 only
(c) 2 and 3 only
(d) None

115. In the context of the Commission for Agricultural Costs and Prices (CACP), consider the following statements:
1. It is an attached office of the Ministry of Consumer Affairs, Food and Public distribution.
2. It recommends Fair and Remunerative Price (FRP) for sugarcane.
3. It determines the selling prices of fertilizers in India.

Which of the statements given above is/are correct?
(a) 2 only
(b) 1 and 2
(c) 2 and 3
(d) 1 and 3

116. Consider the following statements regarding the National Programme for Organic Production (NPOP) in India:
1. It is implemented by the PGS-India, Ministry of Agriculture and Farmers Welfare.
2. It involves the accreditation of certification bodies, standards for organic production and promotion of organic farming and marketing.

Which of the statements given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

117. Consider the following:
1. Post-harvest expenses.
2. Consumption needs of farm households.
3. Working capital for farm assets.

Under the Kisan Credit Card Scheme, credit support is given to farmers for how many of the above purposes?
(a) Only one
(b) Only two
(c) All three
(d) None

118. Consider the following statements:

The 'Market Intervention Scheme (MIS)' of the Government of India is:
1. a component of the Pradhan Mantri Annadata Aay SanraksHan Abhiyan" (PM-AASHA).
2. primarily aimed at ensuring that remunerative prices are provided to the producers of Cereals and Oilseeds.
3. implemented on the request of the State/ UT Governments, under certain specific circumstances.

Which of the statements given above is/are correct?
(a) 1 and 3 only
(b) 1 only
(c) 2 and 3 only
(d) 1, 2 and 3

119. In the context of food and nutritional security of India, the National Food Security Act of 2013 provides for which of the following?
1. All the eligible households under the Act are entitled to receive up to 5 kg of foodgrains per family per month.
2. The beneficiaries under the Act are identified by the respective State Governments.
3. All pregnant women are entitled to receive cash maternity benefits of not less than Rs. 6,000 per trimester of pregnancy.

Select the correct answer using the code given below:
(a) 2 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

120. Consider the following functions:
1. Issuing and regulation of the Negotiable Warehouse Receipts.
2. Allocation of food grains throughout the country for the public distribution system.
3. Procuring food grains from the farmers.
4. Implementing the Open Market Sale Scheme (Domestic).

The Food Corporation of India (FCI) performs how many of the above given functions?
(a) Only one
(b) Only two
(c) Only three
(d) All four

121. Consider the following products:

1. Agricultural products such as wheat.
2. Processed agricultural product such as chocolate
3. Fishery Products.
4. Fibre products such as jute.

How many of the above products are included under the Agreement on Agriculture (AoA) of the World Trade Organisation (WTO)?

(a) Only one
(b) Only two
(c) Only three
(d) All four

122. The Clean Plant Programme, aims to:

(a) provide virus-free, high-quality planting material to farmers.
(b) reduce the Specific Energy consumption (SEC) in agriculture and allied sectors.
(c) promote the installation of flue gas desulphurization (FGD) plants to reduce pollutants.
(d) reduce the emissions of harmful pollutants from thermal power plants.

123. Consider the following type of loans:

1. Loans to small and marginal farmers for purchase of land for agricultural purposes.
2. Loans to distressed farmers indebted to non-institutional lenders.
3. Loans to farmers under Kisan Credit Card Scheme.
4. Loans for setting up of Agribusiness Centres.

How many of the above given loans can be considered as part of Priority Sector Lending in India?

(a) Only one
(b) Only two
(c) Only three
(d) All four

124. With reference to price subsidies and procurement, consider the following about Minimum Support Price (MSP) and Fair and Remunerative Price (FRP):

1. Both MSP and FRP rates are fixed by the Cabinet Committee on Economic Affairs (CCEA).
2. While FRP has legal obligations, MSP does not have any legal obligation.
3. Both MSP and FRP set the minimum rate at which the farmers sell their respective crop to the government.

Which of the above statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

125. With reference to Agricultural marketing, consider the following statements about Participatory Guarantee System for India (PGS-India):

1. It is a decentralized certification system under Ministry of Commerce and Industry.
2. Certification under PGS-India is provided by a third party identified by the government.
3. PGS India certified products cannot be exported to other countries as an organic product.

Which of the above statements is/are correct?

(a) 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

126. Consider the following statements with respect to Pradhan Mantri Kisan Samridhi Kendras(PM-KSK):

1. It aims to establish Model Fertilizer Retail Shops that will act as 'One Stop Shop' for all the agriculture related inputs and services.
2. It can sell only organic fertilizers in its outlet.
3. It is an initiative of the Ministry of Agriculture and Farmer's welfare.

Which of the above statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

127. With reference to Rubber Board of India, consider the following statements:

1. It is a statutory body.
2. It comes under the administrative control of the Ministry of Agriculture and Farmers Welfare.
3. With previous approval of Central Government, board is authorized to import rubber for sale in India.

Which of the above statements are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

128. Consider the following statements regarding the 'Digital Indian Land Records Modernization Programme (DILRMP)':

1. Under DILRMP, a 14-digit Unique Land Parcel Identification Number (ULPIN), containing the ownership details of the plot, will be generated.
2. It involves the transliteration of land records available, in the local language.
3. It includes the implementation of a uniform process for registration of land records throughout the country.

Which of the above statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

129. Which one of the following is the objective of the National Mission on Sustainable Agriculture (NMSA)?

(a) To promote soil health through the creation of soil fertility maps based on macro and micro-nutrient composition.
(b) To implement small hydro power projects in remote areas to achieve dual goals of environmental conservation and enhanced farmer income.
(c) To make at least one city in each state, to fully adopt organic farming by 2030.
(d) To completely eradicate the use of chemical fertilizers to promote sustainable agricultural practices in India.

130. With reference to National Agriculture Market (e-NAM), consider the following statements:

1. It is a pan-India electronic trading portal that networks the existing Agricultural Produce Market Committees (APMC) mandis to create a unified national market for agricultural commodities.
2. Small Farmers Agribusiness Consortium (SFAC) is the leading agency for implementing e-NAM.
3. At present, only paddy and wheat crops are traded on e-NAM platform by farmers.

Which of the above statements is/are correct?

(a) 1 and 3 only
(b) 1 and 2 only
(c) 1 only
(d) 2 only

131. Consider the following statements regarding the Nutrient Based Subsidy (NBS) Scheme:

1. It offers a different rate of subsidies for different farm fertilizers, based on their nutrient contents.
2. It is not applicable to fertilizers fortified with secondary and micronutrients.
3. The Department of Agriculture and Farmers Welfare is responsible for implementing this scheme.

Which of the above statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

132. With reference to Krishi Vigyan Kendras (KVKs), consider the following statements:

1. The KVKs are an integral part of the National Agricultural Research System (NARS).
2. The KVKs aim at assessment of location specific technology modules in agriculture and allied enterprises,
3. KVKs produce quality technological products like seed and bio-agents and make these products available to farmers.

Which of the above statements is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

133. With reference to agricultural marketing, consider the following statements about National Agricultural Cooperative Marketing Federation of India Ltd (NAFED):

1. It is registered under the Multi State Co-operative Societies Act,2002.
2. It is the lead agency for the implementation of electronic National Agriculture Market (eNAM) throughout the country.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

134. With reference to the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme, consider the following statements:

1. The benefits of the scheme are admissible to only Small & Marginal Farmers' (SMF) families.

2. Census Commissioner of India is responsible for identifying the eligible farmers' families for benefit under the scheme.
3. Farmer families in which one or more of its members has paid income tax in the last assessment year, are not eligible to get the benefits of PM-Kisan scheme.

Which of the above statements is/are correct?
(a) 3 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1 and 3 only

135. With reference to Mission for Integrated Development of Horticulture (MIDH), consider the following statements:
1. It is a Central sector scheme.
2. The main objective of the mission is to promote holistic growth of the horticulture sector which also covers coconut.
3. MIDH is a sub-scheme, under the National Horticulture Mission (NMH).

Which of the above statements is/are correct?
(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) None of the above

136. Consider the following events in the history of agricultural finance in India:
1. Introduction of Kisan Credit Cards.
2. Establishment of National Bank for Agriculture and Rural Development (NABARD).
3. First major nationwide farm loan waiver.
4. Establishment of Regional Rural Banks (RRBs).

Which of the following is the correct chronological sequence of the above events?
(a) 2-4-3-1
(b) 2-4-1-3
(c) 4-2-1-3
(d) 4-2-3-1

137. With reference to Price Stabilization Fund (PSF) in India, consider the following statements:
1. It works under the Ministry of Consumer Affairs, Food and Public Distribution.
2. It helps in regulating price volatility of important Agri-horticultural commodities like onion, potato and pulses.
3. PSF is used to provide interest-free loans directly to farmers to boost the production of essential agricultural commodities.

Which of the above statements is/are correct?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 nd 3

138. With reference to the Open Market Sale Scheme (OMSS), consider the following statements:
1. The prices of food grains sold through this scheme are at market price.
2. The central government set a limit on the maximum quantity of food grains allocated to each buyer.
3. One of the aims of the scheme is controlling inflation.

Which of the above statements is/are correct?
(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

139. With reference to Electronic Negotiable Warehousing Receipt (e-NWR), consider the following statements:
1. It is a digital proof of ownership for commodities stored in WDRA-registered warehouses.
2. It can be traded through both off-market as well as commodity exchanges platforms.
3. If a borrower defaults on a loan secured by e-NWRs, the lender may auction the e-NWRs to recover the outstanding amount.

Which of the above statements is/are correct?
(a) 2 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

140. Which one of the following statements is correct regarding 'Trifood Project'?
(a) It is intended to increase the nutritive value of average daily consumption of Indian citizens through addition of Eggs, Pulses and Milk to diet.
(b) It aims to enhance the income of tribals through better utilization of Minor Forest Produce collected by the tribal forest gatherers.
(c) It involves creating a thoughtful and productive community of youth and adults from diverse backgrounds who

work together to build a sustainable food system.

(d) It is an online platform to link agricultural production to the market by bringing together farmers, processors and retailers.

141. Which of the following statements is *incorrect* regarding the Pradhan Mantri Fasal Bima Yojana (PMFBY)?

(a) PMFBY allows the State governments to provide insurance coverage to farmers for losses arising due to wildlife attacks.
(b) Both food crops and oil seeds are eligible to avail benefits under PMFBY.
(c) PMFBY covers post-harvest losses arising from cyclones and unseasonal rains.
(d) Farmers obtaining crop loans for specific crops in designated areas are mandatorily covered under PMFBY.

142. Consider the following statements with reference to programs associated with agriculture and irrigation in India.

1. The Drought Prone Areas Programme (DPAP) provides crops and livestock insurance to the farmers in drought affected areas.
2. Rainfed Area Development Programme (RADP) focuses on Integrated Farming System (IFS) for enhancing agricultural productivity.
3. Atal Bhujal Scheme aims to demonstrate community-led sustainable ground water management.
4. Integrated Watershed Management Programme (IWMP) aims at regeneration of natural vegetation.

Which of the above statements is/are correct?

(a) 1, 2 and 4 only
(b) 1 and 2 only
(c) 2, 3 and 4 only
(d) 1, 2, 3 and 4

143. Consider the following statements about Krishi Decision Support System (Krishi DSS), that has been often mentioned in the media:

1. It helps to enhance the evidence based decision making ability of all the stakeholders in the agriculture sector
2. It is being jointly developed by the Ministry of Agriculture and Farmers Welfare and the Department of Space.
3. It utilizes the services of BHUVAN and MOSDAC platforms of the Indian Space Research Organization (ISRO).

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

144. Consider the following statements with reference to the Minimum Support Prices (MSP) in India:

1. MSP rates in India are fixed by the Commission for Agricultural Costs and Prices (CACP).
2. Commission for Agricultural Costs and Prices (CACP) takes into account the effect of MSP on the cost of living while calculating their prices.
3. Inter-crop price parity is also considered while determining MSPs
4. The government is mandated to provide MSP under the Essential Commodities Act (ECA), 1955

Which of the above-given statements are correct?

(a) 2 and 3 only
(b) 1 and 4 only
(c) 1, 3 and 4 only
(d) 1 and 3 only

145. Consider the following statements regarding e-National Agriculture Market (e-NAM) Scheme:

1. e-NAM is a flagship initiative of the NITI Aayog to create a unified national market for agricultural commodities.
2. It aims to provide quality testing infrastructure in every market to enable informed bidding by buyers.
3. Under e- NAM, a single license is issued by the State governments for traders which is valid across all markets in a state.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

146. With reference to Peace Clause in the WTO Agreement on Agriculture, consider the following statements:

1. The Peace Clause was introduced in 2014 as part of the Bali Package
2. The Peace Clause permits developing nations to maintain subsidies for their agricultural sector, even if such subsidies are deemed to be trade-distorting.

3. So far India has not invoked the peace clause.

Which of the statements given above is/are correct?
(a) 1 and 3 only
(b) 2 only
(c) 1 and 2 only
(d) 1, 2 and 3

147. With reference the PM KUSUM Scheme, consider the following statements:
1. It is a flagship scheme of Ministry of New and Renewable Energy
2. One of its aims is to install 20 lakh standalone Solar Powered Agriculture Pumps.
3. Under this scheme, a subsidy of up to 90% of the cost of installing a solar pump is provided by the central government to the farmer.

Which of the statements given above is/are correct?
(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1,2 and 3

148. Consider the following statements about the Primary Agricultural Credit Societies (PACS):
1. PACS in a state are registered under the Co-operative Societies Act of the respective state.
2. Only one Primary Agricultural Credit Society is allowed per village.
3. PACS may also provide marketing facilities that could enhance the sales of farmer's agricultural products.

Which of the above given Statements is/are correct?
(a) 2 and 3 only
(b) 1 and 3 only
(c) 1 only
(d) 1,2 and 3

149. Agriculture Census forms part of a broader system of collection of Agricultural Statistics in India. Consider the following statements with reference to the Agriculture Census in India.
1. Agricultural Census in India is conducted by the National Sample Survey Office (NSSO).
2. They are based on the broad guidelines of the World Census of Agriculture .
3. The agriculture census is conducted every ten years along with the population census.

Which of the above given Statements is/are correct?
(a) 1 and 2 Only
(b) 2 Only
(c) 1 Only
(d) 2 and 3 only

150. With reference the Essential Commodities Act, consider the following statements:
1. Commodities are considered as essential commodities only if their price has been doubled within a period of three months.
2. Stock limits shall be imposed on all the commodities identified as essential commodities.
3. Only central government can impose stock limits on specified commodities.

Which of the statements given above are ***incorrect***?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

151. Consider the following statements regarding fair and remunerative price (FRP):
1. It is the price declared by the government and paid by mill owners to farmers for the sugarcane procured from them.
2. The FRP is directly proportional to the sugar recovery ratio.
3. The payment of FRP across the country is governed by Essential Commodities Act, 1955.

Which of the statement/s given above is/ are correct?
(a) 1 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

152. With reference to Minimum Support Price (MSP), consider the following statements:
1. Private buyers can purchase agricultural products below the MSP from farmers.
2. The MSP has been made legally enforceable in India to protect farmers from exploitation.
3. The government buys any quantity of wheat and rice from any farmer who wishes to sell it at the Minimum Support Price (MSP).

Which of the above given Statements is/are correct?
(a) 2 and 3 only
(b) 1 and 3 only
(c) 1 only
(d) 1,2 and 3

SOLUTIONS

7.1. Agriculture Inputs

1. Solution: (a)

Exp) Option a is the correct answer.

Statement-I is correct: The large-scale adoption of Genetically Modified Crops (GMOs) may lead to scarcity of seeds. The use of **Genetic Use Restriction Technologies (GURTs) or 'terminator seed' technology** prevents the seeds from germinating. This technology, when used in GM crops, limits their ability to produce fertile seeds. As a result, farmers using GM crops with terminator technology cannot save seeds from these crops for future planting.

Statement-II is correct and explains the Statement-I: Terminator technology involves genetically modifying crops in a way that **prevents the seeds they produce from germinating.** Crops with terminator technology have seeds that are **intentionally modified to be sterile or unable to grow into new plants.** This technology aims to restrict the reproduction of genetically modified plants through their seeds. This practice has been controversial and has faced opposition due to concerns about its potential impact on farmers' traditional practices of seed saving.

2. Solution: (a)

Exp) Option a is the correct answer.

Fertilizers are substances, whether natural or synthetic, applied to soil or plant tissues to provide essential plant nutrients for growth. They contain higher nutrient concentrations compared to organic manure and are readily available for plant uptake upon application.

Fertilizers are classified into **three categories: Primary (nitrogenous, phosphatic, and potassic), Secondary (calcium, magnesium, and sulphur), and Micronutrients (iron, zinc, etc.). Primary fertilizers include urea, Di-Ammonium Phosphate (DAP), and Muriate Of Potash (MOP),** each supplying specific essential nutrients like Nitrogen, phosphorus and Potassium respectively to support plant growth.

Statement 1 is incorrect. India is the third-largest fertilizer producer after China and the United States. India is the second-largest fertilizer consumer after China. India is also ranked second in the production of nitrogenous fertilizers and third in phosphatic fertilizers.

Statement 2 is correct. Potash, which is the source of Potassium, is used both for direct application as MOP as well as in combination with 'N' & 'P' nutrients in NPK fertilizers. **India meets 100% of its Potash requirement through imports.** The country imports approximately 40 LMT MOP annually.

Statement 3 is incorrect. While there has been increased awareness and promotion of organic and natural farming practices in recent years, leading to some shifts in **agricultural practices, consumption of fertilizer has not been steadily declining since 2018. The consumption of fertilizer has been fluctuating after 2018 as shown in the table below.**

3. Solution: (d)

Exp) Option d is the correct answer.

In May 2020, **the government banned 27 hazardous pesticides,** part of a larger list of 66 substances scrutinized for toxicity. A committee, led by **TP Rajendran,** recommended retaining the prohibition on **three pesticides** and releasing the others.

In continuation of the above episode, certain activists petitioning the Supreme Court argued that the constitution and existence of such a committee remain unverified in the public domain. Against this backdrop, just a few days before a crucial Supreme Court hearing, the **Central government prohibited the use of four insecticides, including Monocrotophos, Dicofol, Dinocap, and Methomyl**, from the original list of 27. Hence it is true that **Dicofol, Dinocap, and Methomyl are a type of insecticides (or pesticides) utilized in Indian agricultural production.**

4. Solution: (b)

Exp) Option b is the correct answer.

In India land titles are presumptive rather than conclusive. This has led to many legal issues. It has been estimated that nearly two-thirds of all pending cases in Indian courts are related to property disputes. NITI Aayog has said that such property cases take an average of 20 years to settle. To eradicate this problem the Union government launched several measures like the National Land Records Modernization Programme in August 2008 later (renamed as Digital India Land Records Modernization Programme), NGDRS, ULPIN etc.

Statement 1 is incorrect: National Generic Document Registration System (NGDRS) is an in-house advanced software application for the registration system developed by NIC. The **application is specifically designed for the use of sub registrars, citizens and apex users from registration departments.** NGDRS facilitates states to create state specific instances and configure the software as per requirements.

Statement 2 is correct: Unique Land Parcel Identification Number (ULPIN) System provides a unique ID of 14 digits for every plot of land in the country based on the Georeferenced coordinate of vertices of the parcel.

Statement 3 is correct: Survey of Villages Abadi and Mapping with Improvised Technology in Village Areas (SVAMITVA) scheme aims to demarcate inhabited (Abadi) land and provide Record of Rights/Property Cards in rural areas through the latest surveying drone technology.

Statement 4 is correct: Digital India Land Records Modernization Programme (DILRMP) is a central

sector scheme launched by the Union Ministry of Rural Development in 2016. It has 3 major components:

1. Computerization of land record
2. Survey/re-survey
3. Computerization of Registration

5. Solution: (c)

Exp) Option c is the correct answer.

Neem-coated urea (NCU) is a fertilizer that's coated with neem tree seed oil. It's an agricultural scheme supported by the Government of India to increase the growth of wheat and paddy and reduce the black market and hoarding of urea. In 2015, the Government of India decided to introduce 100 % neem coating on all subsidized agricultural grade urea in the country. All the indigenous and imported urea were neem coated to make the urea slow release and difficult to use for non-agricultural purposes.

Statement 1 is correct: Neem oil, a wholly organic product, is one such inhibitor which had the quality that could both slow down nitrogen release from urea to soil **thus increasing nutrient use efficiency** and also reducing appreciably the chances of diversion of agricultural grade urea for many non-agricultural uses.

Statement 2 is correct: Neem coated urea protects plants from pests and insects due to the natural pesticidal properties of neem oil. Neem oil contains compounds such as **Azadirachtin, Nimbin, and Salannin**, which have insecticidal, repellent and growth-regulating effects on a wide range of pests.

Statement 3 is incorrect: One of the aims of this initiative was to decrease the dependency on imported urea, by encouraging the use of domestically produced neem-coated urea. **It has played a role in reducing India's imports of urea to some extent, however it has not drastically reduced imports of urea.**

Statement 4 is correct: Nitrifying Bacteria present in soil convert Ammoniacal Nitrogen to Nitrate Nitrogen which is highly soluble in water and easily leach to lower depth of soil beyond the reach of crop roots. Neem-coated urea kills these bacteria and nitrate formation is checked hence no nitrate losses happens. Thereby, Neem-coated urea reduces the leaching of nitrates in the groundwater.

Important Tips

Other benefits associated with Neem coated urea: Improved Soil Health, reduced costs, increased yield, decrease in diversion of subsidized urea for industrial purposes, reduced hygroscopicity, volatility, nitrate leaching and denitrification, etc.

6. Solution: (c)

Exp) Option c is the correct answer

The Protection of Plant Varieties and Farmers Rights (PPVFR) Act, enacted in India in 2001, protects plant breeders' rights. It grants breeders intellectual property rights and safeguards farmers' rights, overseen by the PPV&FR Authority.

Statement 1 is correct: There is a **provision within the PPV&FR Act that ensures farmers are compensated if the registered seeds they purchase fail to perform as expected** under recommended conditions. Essentially, if the seeds do not yield the expected results despite the farmer following the recommended management practices, the farmer can claim compensation from the breeder through the intervention of the PPV&FR Authority. This provision serves to protect farmers from financial losses due to poor seed performance

Statement 2 is correct: The PPVFR Act provides for the establishment of a **National Gene Fund**, which aims to support the development and conservation of plant genetic resources. **Farmers engaged in activities related to plant genetic resources conservation and crop improvement may receive recognition and rewards from this fund.**

Statement 3 is incorrect: The **PPV&FR Act does not grant farmers the right to sell branded seed of a variety protected under the Act**. While farmers have certain rights regarding the use, exchange, and sale of farm produce, including seeds, branded seed of protected varieties cannot be sold by farmers. This provision aims to protect the intellectual property rights of breeders and prevent unauthorized commercialization of protected varieties by farmers.

Statement 4 is correct: Section 28 (6) of the Act says that a **third party needs a farmer's permission before commercializing a variety that is derived from the farmer's variety.**

1. **Farmers' Varieties:** The Act recognizes that farmers play a significant role in developing and conserving plant varieties. They may develop new varieties through traditional selection methods or simply maintain and improve existing ones over generations. These varieties are referred to as "**farmers' varieties**" under the Act.
2. **Derived Varieties:** When a breeder or researcher uses a farmer's variety as a source material to develop a new and distinct variety, that new variety is considered a "**derived variety.**" This new variety might have improved characteristics like higher yield, disease resistance, etc., compared to the original farmer's variety.
3. **Prior Authorization:** The PPVFR Act, under Section 28(6), grants farmers a powerful right. **It states that a third party (breeder, researcher, or company) cannot commercialize a derived variety without the permission of the farmer who provided the original variety.**

7. Solution: (b)

Exp) Option b is the correct answer.

The **Seed Replacement Rate (SRR) is a measure of the cropped area covered with quality seed.** It has a direct bearing on productivity augmentation and enhancement in farmers' income and is one of the means for achieving doubling the farmers' income.

Statement 1 is incorrect: The National Seed Policy, 2002, includes the objective of improving the Seed replacement rate in the country. Thus, this policy emphasizes improving Seed replacement rate. The policy states that the Seed

replacement rates will be raised progressively with the objective of expanding the use of quality seeds.

Statement 2 is correct: Higher costs of new Seeds is one of the main reasons for the prevalence of lower seed replacement rate in India. Certified new seeds are significantly more expensive than farm-saved seeds, posing a barrier for many small and marginal farmers who operate on tight budgets.

In India, **85% of farm households are small and marginal farmers who cultivate less than two hectares of land.** Studies have shown a clear correlation between the economic status of farmers and their SRR. Larger farms with greater economic resources tend to exhibit higher rates of seed replacement compared to small and marginal farmers. Thus, due to finical resource constraint **small and marginal farmers are less likely to replace their seeds with new quality seeds, thus contributing to lower SRR in India.**

Statement 3 is correct: Compared to global giants, Indian private seed companies generally invest less in research and development, leading to unavailability of high-quality seeds at affordable prices. For instance, the research and investment by Indian private companies remained at a meager **3-4% of revenue compared to the international norm of 10-12%.**

8. Solution: (d)

Exp) Option d is the correct answer.

Soil erosion is a gradual process that occurs when the impact of water or wind detaches and removes soil particles, causing the soil to deteriorate.

All the given techniques of farming help in reducing soil erosion.

Option 1 is correct. In terrace farming, a terrace is a piece of the sloped plane that is cut into a series of successively receding platforms, that resemble steps. This prevents rain from washing away soil, hence preventing soil erosion.

Option 2 is correct. Contour farming is the practice of tilling sloped land along lines of consistent elevation in order to conserve rainwater and to reduce soil losses from surface erosion.

Option 3 is correct. Crop rotation can improve soil structure and fertility by alternating deep-rooted and shallow-rooted plants. In turn this can reduce soil erosion and increase infiltration capacity, thereby reducing downstream flood risk.

Option 4 is correct. Trees grown on permaculture farms accomplish the purpose of **holding the topsoil layer together and preventing soil erosion.** The goal of permaculture is to maximize the use of land so that it can be used productively for food production or personal subsistence by future generations. It incorporates techniques from a variety of fields, including organic farming, agroforestry, composting, mulching, integrated farming, sustainable development, and applied ecology.

Option 5 is correct. Biodynamic farming is a **nature-based farming technique** which relies on locally-sourced materials and living soil for crop production which **helps in controlling soil erosion.** It helps maintain the balance between plants and microbial life on earth as both are essential for each other's survival. Thus, it is helpful in tackling the growing problem of soil erosion.

9. Solution: (d)

Exp) Option d is the correct answer.

Urea Gold is a **new variety of urea fertiliser coated with sulphur**, recently launched by the **Prime Minister in Sikar, Rajasthan.** It is designed to address the **sulphur deficiency in soil**, enhance nitrogen use efficiency, and reduce overall fertiliser consumption. Urea Gold is considered **more economical and efficient** than traditional neem-coated urea, benefiting both farmers and crop production.

Option 1 is correct: One of the key advantages of Urea Gold is its ability to **improve nitrogen availability and uptake** by crops. The sulphur coating enables a **gradual release of nitrogen**, ensuring that plants receive a steady supply of nutrients over time.

Option 2 is correct: Many Indian soils suffer from **sulphur deficiency**, which affects crop growth and productivity. Urea Gold is designed to address this issue by **providing an essential sulphur supply** along with nitrogen. Sulphur plays a vital role in **protein synthesis, enzyme activation, and chlorophyll formation**, making it crucial for plant metabolism.

Option 3 is correct: By improving **fertiliser efficiency,** Urea Gold significantly **lowers input costs for farmers.** Since **less quantity is required** to achieve the same level of productivity, farmers spend **less money on fertilisers** while obtaining **higher yields.**

Option 4 is correct: Urea Gold helps in **reducing the overall fertiliser consumption** by farmers. Due to its slow-release nature and increased efficiency, **15 kg of Urea Gold provides the same benefits as 20 kg of conventional urea.**

10. Solution: (d)

Exp) Option d is the correct answer.

The fertiliser industry in India plays a crucial role in ensuring food security by supplying essential nutrients to crops. The Government of India regulates the fertiliser sector through subsidies and allocation mechanisms to make fertilisers affordable and accessible to farmers.

Statement 1 is correct: The Government of India/Union government determines the Recommended Dose of Fertiliser (RDF) based on the Recommended Dose of Nutrients (RDN), which is calculated by each state. **Fertilisers are then allocated to states for each season.** This allocation ensures an adequate supply based on regional soil and crop requirements.

Statement 2 is incorrect: The sale of all subsidized fertilizers to farmers/buyers is made through Point of Sale (PoS) devices. These are installed at each retailer shop and the beneficiaries are identified through Aadhaar Card, KCC, Voter Identity Card etc.

Under the fertilizer DBT system, 100% subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by the retailers to the beneficiaries.

Statement 3 is correct: Currently, **any individual possessing an Aadhaar card can purchase fertilisers in any quantity, whether they are farmers or not**. This lack of restrictions has led to problems such as diversion for non-agricultural purposes, overuse harming soil health, and inefficiencies in subsidy allocation.

11. Solution: (c)

Exp) Option c is the correct answer.

Option a is incorrect. SRR is not concerned with the **production** of seeds, including high-yielding variety (HYV) seeds. Instead, it measures the **usage** of certified seeds over farm-saved seeds in actual cropped areas.

Option b is incorrect. SRR is **not limited to Genetically Modified (GM) seeds.**It includes **certified or quality seeds** of any improved variety, including hybrids, high-yielding varieties produced under quality standards.

Option c is correct. Seed Replacement Rate (SRR) is a crucial indicator in agricultural productivity and farm income enhancement. It **refers to the percentage of area sown out of total area of crop planted in the season by using certified/quality seeds other than the farm saved seed.** Higher SRR is directly linked with increased crop productivity, better disease resistance, and improved income for farmers. It forms an integral part of government efforts to boost agricultural efficiency and is especially vital in the context of India, where small and marginal farmers form a majority.

Option d is incorrect. SRR has **nothing to do with crop rotation**. It concerns the **quality of seed used for the same crop**, not changing crops or seed types to preserve soil health.

12. Solution: (d)

Exp) Option d is the correct answer.

According to the Land Ceilings Acts, the state was supposed to identify and take possession of surplus land (above the ceiling limit) held by each household, and redistributes it to landless families and households in other specified categories, such as SCs and STs.

Statement 1 is correct: In most states initially, the ceilings were imposed on individual and not family holdings, enabling landowners to divide up their holdings 'notionally' in the names of relatives merely to avoid the ceiling. Following the CM conference 1972 (which recommended family as the unit for ceiling) most of the states implemented family as the unit for land ceiling.

Statement 2 is correct: The land ceiling varies from region to region, depending on the kind of land, its productivity, and other such factors. **Very productive land has a low ceiling** while unproductive **dry land has a higher ceiling limit.**

Statement 3 is correct: There were many loopholes in the Land Ceilings Act through which most landowners were able to escape from having their surplus land taken over by the state.

Landowners managed to divide the land among relatives and others, including servants, in so-called 'benami transfers'.

Some rich farmers actually divorced their wives in order to avoid the provisions of the **Land Ceiling Act**, which **allowed a separate share for unmarried women but not for wives.**

13. Solution: (a)

Exp) Option a is the correct answer.

According to a recent report by the Pesticide Action Network (PAN) safety of agricultural produce and environmental contamination is at risk due to the **rampant use of four highly hazardous pesticides (HHP).** Unapproved and unauthorised use of the agrochemicals — **chlorpyrifos, fipronil, atrazine and paraquat** — was found across the country.

Central Insecticides Board and Registration Committee, India's pesticides regulator, has approved specific uses of agrochemicals. But according to the report, state agriculture departments and industries recommended the four chemicals for more crops than their approved use.

14. Solution: (c)

Exp) Option c is the correct answer.

The **Soil Health Card (SHC) Scheme**, launched by the **Government of India in 2015.** Its objective is to assess the nutrient status of soils and provide **farm-specific recommendations** for fertilizers and soil amendments. The scheme evaluates a **set of 12 standard parameters**, covering **macronutrients, micronutrients, and basic physical and chemical properties including N,P,K, S (Macro-nutrients); Zn, Fe, Cu, Mn, Bo (Micro - nutrients) ; and pH (Acidity or Basicity), EC (Electrical Conductivity) and OC (Organic Carbon).**

Option 1 is correct. SHC provides information on Potassium. It is one of the three primary macronutrients essential for plant growth, along with **nitrogen (N) and phosphorus (P).**It is **crucial for photosynthesis, water regulation, and fruit formation.**

Option 2 is correct. SHC includes Zinc as one of the six micronutrients assessed. Zinc (Zn) is a **micronutrient** vital for **enzyme function and growth regulation in plants.**

Option 3 is incorrect. Sodium Adsorption Ratio (SAR) is not currently assessed under the SHC scheme. SAR measures the **proportion of sodium** relative to calcium and magnesium in soil, indicating **sodicity (accumulation of sodium ions on soil particles)** and soil structure stability.

Option 4 is correct. SHC includes **EC (Electrical Conductivity)** as a **chemical property**. EC measures the **salinity level** of the soil, indicating the concentration of soluble salts.

Option 5 is correct. Organic Carbon (OC) is a **core parameter in the SHC. OC** is a key indicator of **soil fertility** and microbial health. It reflects the level of **soil organic matter**, which is critical for nutrient retention, water holding, and soil structure.

Option 6 is correct. pH (Acidity or Basicity) is one of the **basic parameters** assessed in the SHC. pH indicates the **acidity or alkalinity** of the soil, influencing the availability of nutrients to plants.

15. Solution: (a)

Exp) Option a is the correct answer.

Humus is dark, organic material that forms in soil when plant and animal matter decays. Humus is an amorphous, colloidal and dark substance that is the source of energy and nutrients for most soil microorganisms. Humus is important, as it gives the soil a loose texture ensuring better aeration.

When plants drop leaves, twigs, and other material to the ground, it piles up. This material is called leaf litter. When animals die, their remains add to the litter. Over time, all this litter decomposes to form humus.

Option 1 is incorrect. Alluvial soils are widespread in the northern plains and the river valleys. They are depositional soils transported and deposited by rivers and streams. Alluvial soils are rich in potash. The soil is productive but **deficient in nitrogen, phosphorus and humus.**

Option 2 is incorrect. Laterite soils develop in areas with high temperature and high rainfall. These are a result of intense leaching due to tropical rains. With rain, lime and silica are leached away, and soils rich in iron oxide and aluminum compounds are left behind. **Humus content of the soil is removed fast by bacteria that thrives well in high temperatures.** These soils are **poor in organic matter,** nitrogen, phosphate and calcium while iron oxide and potash are in excess.

Option 3 is correct. Peaty soils are found in areas of heavy rainfall and high humidity, **where there is a good growth of vegetation.** Thus, large quantities of dead organic matter accumulates in these areas, and thus **gives a rich humus and organic content to the soil.**

Option 4 is incorrect. Arid soils are generally sandy in structure and saline in nature. **Due to the dry climate,** high temperature and accelerated evaporation, **they lack moisture and humus.** Nitrogen is insufficient and phosphorus content is normal.

16. Solution: (d)

Exp) Option d is the correct answer

Terminator seed technology refers to genetically engineered seeds that produce sterile plants after one generation. This means that farmers cannot save seeds from their harvest and need to purchase new seeds every year. **This method poses an environmental concern being that it significantly reduces crop diversity and introduces many GMOs into the earth.** Terminator seeds contain a **repressor gene that kills the embryo in any seed that a genetically modified plant protected by Terminator technology produces.** Even though the seeds produced by the plants look normal, they are not viable and cannot be used to plant more crops, which forces the farmer to buy new seeds from the biotechnology firm selling the genetically modified plant. **The biggest cause of concern for this technology is the threat it poses to food security and farmer livelihoods.**

17. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is correct. The Genetic Engineering Appraisal Committee (**GEAC**) is the apex body in India that **approves the commercial release of GM crops.** The "Rules for the Manufacture/Use/Import/Export and Storage of Hazardous Microorganisms, Genetically Engineered Organisms or Cells, 1989" (commonly referred to as the "Rules, 1989") are administered by the Ministry of Environment and Forests (MoEF) in accordance with the Environment (Protection) Act, 1986, and govern all GMO-related activities and products derived from GMOs in India. The Rules, 1989 cover a wide range of activities, products, and processes, including food derived from biotechnology.

Statement 2 is correct. Food Safety and Standards Act, 2006 empowers the Food Safety and Standards Authority of India (FSSAI) to **regulate genetically modified (GM) foods.** This notification exempted food stuffs, ingredients in foodstuffs and additives including processing aids derived from Living Modified Organisms where the end product is not a Living Modified Organism.

Statement 3 is incorrect. The import of genetically modified foods in India requires approvals under the **Environment Protection Act of 1986 and the Food Safety and Standards Act of 2006 (and not Biological Diversity Act 2002).** While the former analyses how the food products impacts the environment, the latter evaluates how the food affects the health of the people.

18. Solution: (a)

Exp) Option a is the correct answer.

Subsurface irrigation is a modern agricultural technique that involves delivering **water directly to the root zone of plants,** typically through buried pipes or tubes. Unlike traditional surface irrigation methods that can lead to water wastage and evaporation, subsurface irrigation minimises water loss by delivering water directly to where it is needed most, the roots.

Statement 1 is correct: Sub- surface drip irrigation involves **placing polyethylene tubes underground,** allowing water to be delivered **directly to the roots of crops.**

Statement 2 is correct: It helps in **water conservation** as water is applied underground, minimising exposure to sunlight and wind, which reduces evaporation losses compared to surface irrigation methods. Sub-surface drip irrigation helps in water conservation in open field agriculture, often resulting in **saving up to 25–50 per cent water as compared to the flood irrigation system.**

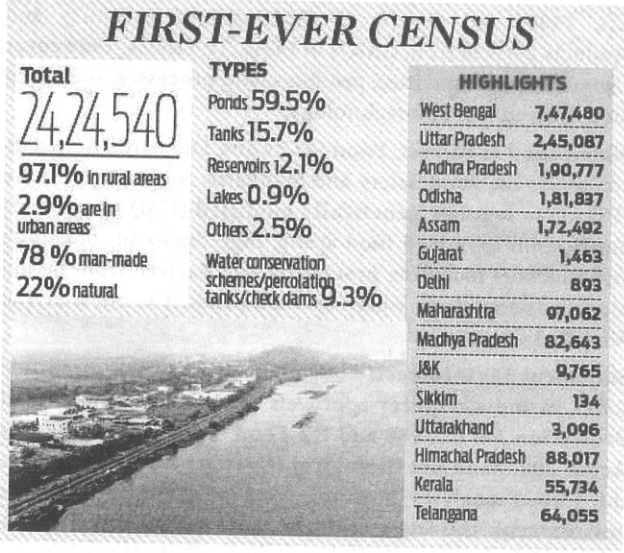
Statement 3 is incorrect: Sub-surface drip irrigation typically has a higher initial installation cost compared to surface drip irrigation due to the need for burying polyethylene tubes underground, which requires additional labour and materials.

19. Solution: (b)

Exp) Option b is the correct answer.

The **Ministry of Jal Shakti has released the report of India's first water bodies census**, a comprehensive database of ponds, tanks, lakes, and reservoirs in the country. The census estimated that there are as many as 24,24,540 water bodies across the country.

Option b is correct: As per the Census, **Ponds (59.5%)** constitute the largest share of the water bodies followed by **tanks (15.5%), reservoirs (12.1%), lakes (0.9%)**, water conservation schemes/percolation tanks/check dams (9.3%) and other water bodies (2.5%).



20. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect. Red and yellow soil develops on crystalline igneous rocks in areas of low rainfall in the eastern and southern parts of the Deccan plateau. It results from weathered material of igneous and metamorphic rocks.

Statement 2 is correct. It is **found in the eastern and southern part of the Deccan Plateau** in parts of Tamil Nadu, Karnataka, north-east Andhra Pradesh, eastern parts of Madhya Pradesh, Bihar, West Bengal and Rajasthan.

Statement 3 is incorrect. Nitrogen, phosphorous, lime and humus content are very low in red and yellow soil.

21. Solution: (a)

Exp) Option a is the correct answer.

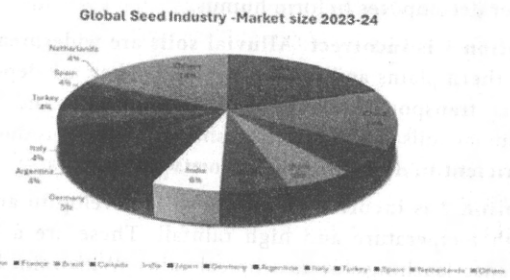
Statement 1 is correct: The Indian government has allowed up to **100% FDI in the seed sector through the automatic route** subject to certain conditions regarding GM seeds. It means that foreign investors do not need prior approval from the government to invest in this sector.

This policy is designed to encourage foreign investment, technology transfer, and the introduction of new varieties of seeds, which can ultimately benefit Indian agriculture.

Statement 2 is incorrect: While the export of seeds has been simplified to encourage trade in the interest of farmers, a license is still required for certain types of seeds.

- Under the **Export** and **Import Policy 2002-07, seeds of most crops have been placed under the Open General License** (OGL), meaning they can be **exported and imported freely.**
- However, **seeds** of **wild varieties, germplasm, breeder seeds**, and **onion seeds** remain in the **restricted category** and require specific approval for export.

Statement 3 is incorrect: Although **India's seed industry** has grown significantly—from USD 2.75 billion in 2014 to USD 4.25 billion in 2023-24—it **is not the largest in the world.** The global seed industry is valued at USD 70 billion, with **India ranking fifth**, behind the United States, China, France, and Brazil.



22. Solution: (d)

Exp) Option d is the correct answer

Biofertilizers originated from living microorganisms of bacterial, fungal and algal origin, which naturally enhance soil nutrient content. Their mode of action differs and can be applied alone or in combination. These fertilizers are environmentally friendly alternatives to chemical fertilizers, posing no harm to our planet.

Option 1 is correct: Biofertilizers use living microorganisms to convert atmospheric nitrogen into a form plants can absorb, enriching the soil naturally. **For example**, when **Rhizobium** is introduced to legume crops like soybeans and lentils, it fixes nitrogen in the soil and the plants' root nodules. This enhances soil fertility and plant growth naturally, decreasing reliance on chemical fertilizers and fostering sustainable farming practices.

Option 2 is correct : These bio fertilizers are full of good bacteria and fungi which convert soil minerals into formats easily absorbed by plant roots. **For example, mycorrhizal fungi**, commonly found in biofertilizers, form symbiotic relationships with plant roots, helping them absorb more phosphorus, a vital macronutrient.

Option 3 is correct: When biofertilizers are applied to the soil, microorganisms decompose plant residues and animal manures, releasing nitrogen, phosphorus, and potassium—essential nutrients for plant growth. **For example, Azotobacter** can be applied to the soil of a wheat field. These bacteria decompose organic matter in the soil. On decomposition they release nutrients which are locked within the organic matter, like nitrogen, phosphorus and potassium.

Option 4 is correct: Some biofertilizers produce hormones that enhance root growth under drought conditions. **For example,** biofertilizers containing the bacterium Rhizobia can secrete growth hormones such as auxins, which stimulate the length, total surface area, formation of root hairs and lateral roots in dry soil. This increased root growth allows plants to access deeper water sources, improving their resilience to drought.

Initiatives of Government of India to promote the usage of Bio fertilisers :

1. Paramparagat Krishi Vikas Yojana (PKVY)
2. National Project on Organic Farming (NPOF)
3. Mission Organic Value Chain Development for North Eastern Region (MOVCDNER)
4. PM PRANAM ((Promotion of Alternate Nutrients for Agriculture Management Yojana)

23. Solution: (c)

Exp) Option c is the correct answer.

The **Protection of Plant Varieties and Farmers' Rights (PPV&FR) Act, 2001** was enacted in India to **protect the rights of plant breeders, farmers, and researchers** while encouraging the development of new and improved plant varieties. The Act is in line with **India's obligations** under the **Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement** and recognizes both intellectual property rights (IPR) of breeders and traditional rights of farmers.

Statement 1 is correct: As per the PPV&FR Act, a certificate of registration for a variety issued under this Act shall confer an **exclusive right on the breeder or his successor, his agent or licensee, to produce, sell, market, distribute, import or export the variety.**

Statement 2 is correct: Researchers can use any of the registered varieties under the Act for conducting experiments of research. They can make use of a variety as an initial source of variety for the purpose of developing another variety but repeated use needs prior permission of the registered breeder.

24. Solution: (a)

Exp) Option a is the correct answer.

Imazethapyr and glyphosate are herbicides that can be used together to control weeds. However, both herbicides can be toxic to cells and organisms. Imazethapyr and glyphosate can be tank-mixed. Imazethapyr-based herbicides and glyphosate are used together to suppress weed resistance.

25. Solution: (b)

Exp) Option b is the correct answer.

Irrigation is the artificial application of water to crops to meet their water requirements. The primary sources of irrigation include wells, ponds, lakes, canals, tube wells, and dams. In India, the net irrigated area during 2021-22 was recorded at 77.9 million hectares.

Option 2: Tank irrigation serves multiple purposes, including maintaining water supply to the command area and recharging groundwater levels. **Tanks contribute 2.8% to the net irrigated area in agriculture.**

Option 1: Canals are artificial channels constructed to transport water from one place to another. **They account for 24.7% of the net irrigated area in India.**

Option 3: Tube wells are deep wells that use pipes bored into the ground to access groundwater. A pump is used to draw water to the surface. **Tube wells constitute 47.3% of the total irrigated area** in India.

Hence the ascending order of sources of irrigation based on the net irrigated area is option b: 2-3-1 i.e. Tanks (2.8%) < Canals (24.7%) < Tube Wells (47.3%).

26. Solution: (a)

Exp) Option a is the correct answer.

Statement I is correct: Peaty soils are formed from the accumulation of partially decayed organic matter, primarily plant material. This process happens in waterlogged conditions where there is little oxygen, which slows down the decomposition of organic matter.

Over time, this leads to the formation of peaty soil, which is **rich in humus** (the organic component of soil) and has a **high content of organic material.**

Statement II is correct: Peaty soils develop in areas where the climate conditions are conducive to the accumulation of organic matter.

Heavy rainfall and high humidity create **waterlogged conditions**, which means the soil remains saturated with water for long periods. These conditions reduce the amount of oxygen in the soil, slowing down the decomposition of plant material. As a result, **organic matter accumulates, leading to the formation of peaty soils.**

Statement II explains Statement I: Because the conditions described in Statement II (heavy rainfall and high humidity) lead to the waterlogged environment necessary for the formation of peaty soils described in Statement I.

Hence, **Both Statement-I and Statement-II are correct and Statement-II explains Statement-I.**

27. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: Urea Gold is a new variety of urea that is **coated with sulphur**, which is expected to **address sulphur deficiencies in the soil.**

Statement 2 is correct: The sulphur coating on Urea Gold acts as a barrier that slows down the release of nitrogen, allowing plants to absorb nitrogen more effectively over a longer period, thereby enhancing nitrogen use efficiency. **SCU has better Nitrogen use efficiency as compared to Neem Coated Urea.**

Statement 3 is correct: Urea Gold or Sulphur coated urea (SCU) can be beneficial for reducing water pollution, salt index and avoiding soil compaction in the following manner

Regular urea can release **nitrogen quickly**, which can **increase the soil's salinity** (salt content). **Urea Gold's coating slows down the release of nitrogen, preventing this rapid increase in salt index** and **making nitrogen available to plants for a longer duration and it reduces the water pollution also.**

28. Solution: (a)

Exp) Option a is the correct answer.

Biofortification is the **process of improving the nutritional quality** of food crops. Since 2014, 142 biofortified varieties including 124 of field crops and 18 of horticultural crops have been developed under the aegis of the Indian Council of Agricultural Research (ICAR).

Statement 1 is correct: Biofortified seeds are specifically bred **to contain higher levels of essential nutrients such as iron, zinc, vitamin A, and others** compared to traditional seed varieties. This enhancement aims to **address malnutrition and improve the nutritional quality** of crops and subsequently human diets.

Statement 2 is incorrect: Modern biofortified seed varieties **are developed with a focus on maintaining or even improving crop yields.** Many biofortified seed varieties have been successfully bred to exhibit **comparable or even higher yields** compared to their non-biofortified counterparts. Hence, the statement given is incorrect.

Statement 3 is incorrect: Biofortified seeds do not significantly alter soil quality or water conditions. Since biofortified varieties are **typically bred through conventional breeding methods, they do not uptake un-sustainable amount nutrients from the soil.** Their development and adoption contribute to sustainable food systems by improving human nutrition without compromising environmental integrity.

29. Solution: (b)

Exp) Option b is the correct answer

Recently, due to high toxicity of conventional pesticides, biopesticides have attracted lot of attention.

Statement 1 is correct: Biopesticides are certain types of pesticides derived from such natural materials as animals, plants, bacteria, and certain minerals. For example, canola oil and baking soda have pesticidal applications and are considered biopesticides

Statement 2 is incorrect: While biopesticides are generally considered to be safer and more environmentally friendly than synthetic pesticides, **they can still have harmful** effects under certain circumstances, and some biopesticides can cause health effects in humans if they are not handled or used properly.

Statement 3 is correct: Viruses, bacteria, and protozoa can be used as biopesticides. These microorganisms can be used to control pests in agricultural crops, forests, and public health settings. However, the use of microorganisms such as biopesticides requires careful evaluation to ensure their safety and effectiveness. For example, some bacteria, such as **Bacillus thuringiensis (Bt),** produce proteins that are toxic to certain insect pests but are harmless to humans and other non-target organisms. Similarly, some viruses, such as **nucleopolyhedroviruses,** can infect and kill specific insect pests while being safe for humans and the environment. **Protozoa, such as the microsporidian Nosema locustae, have been used to control locusts and grasshoppers,** as they can infect and reduce the population of these pests.

30. Solution: (c)

Exp) Option c is the correct answer

In India, agricultural credit is mainly provided by scheduled commercial banks, regional rural banks, and cooperatives. The share of each in the total agricultural credit in India is as follows:

Scheduled commercial banks: They have the **highest share in agricultural credit** in India. As per the data available, their share is more than 60% of the total agricultural credit.

Cooperatives: They have the **second-highest share in agricultural credit** in India. As per the data available, their share is around 15% of the total agricultural credit.

Regional rural banks: They have a significant share in agricultural credit in India. As per the data available, their share is around 5% of the total agricultural credit.

31. Solution: (a)

Exp) Option a is the correct answer.

Option a is correct: Herbigation is an effective method of applying herbicides through irrigation systems. Weed control has been equal or better with herbigation than applications with ground or aerial sprayers. More herbicide registrations and better injection equipment has given the growers greater flexibility in herbigation programs.

Option b is incorrect: Pharmacognosy deals with the natural drugs obtained from organisms such as most plants, microbes, and animals. Up to date, many important drugs including morphine, atropine, galanthamine, etc. have originated from natural sources which continue to be good model molecules in drug discovery.

Option c is incorrect: Application of volatile chemicals in confined spaces or to soil to produce gas that will destroy weed seeds is called **fumigation**. Herbicides used for fumigation are called fumigants. These are good for killing perennial weeds and as well for eliminating weed seeds. e.g. Methyl bromide, Metham etc.

Option d is incorrect: Puddling is destroying the aggregates of soil by agricultural operations on it when it is too wet. Puddling can be defined as the process of breaking down soil aggregates into uniform mud, accomplished by applying mechanical force to the soil at high moisture content. It may also be defined as the mechanical reduction of the apparent specific volume of soil. To a farmer, puddling is mixing soil with water to make it soft for transplanting and impervious to water. To put it simply, it is an act or method of making a puddle.

32. Solution: (d)

Exp) Option d is the correct answer.

Recently, article published in Nature journal has highlighted that is a strong relationship between soil micronutrients and nutritional outcomes of people. Soil zinc availability is associated with an increase in the height of women. Districts with an increased proportion of soil zinc samples had significantly lower rates of child stunting and underweight.

Statement 1 is correct: Soil pH has a significant influence on zinc availability. As **soil pH increases** (becomes more alkaline), the **solubility and availability of zinc decrease**, making it less accessible to plants.

Statement 2 is correct: Khaira disease is a common disease in rice caused due to zinc deficiency. It leads to the formation of dusty brown patches on leaves. It is observed in rice crops grown in calcareous soil, as zinc quickly transforms into several inaccessible forms due to high pH values, high calcium carbonate or phosphate content in soil.

Statement 3 is correct: Zinc activates enzymes that are responsible for the synthesis of certain proteins. It is used in the formation of chlorophyll and some carbohydrates and is used in the conversion of starches to sugars. Zinc is essential in the formation of auxins, a type of enzyme, which helps with growth regulation and stem elongation.

33. Solution: (c)

Exp) Option c is the correct answer.

A Genetically Modified (GM) or transgenic crop is a plant that has a novel combination of genetic material obtained through modern biotechnology mainly using recombinant DNA (rDNA) technology. Acts and rules that regulate GM crops in India include:

Environment Protection Act, 1986 (EPA); Biological Diversity Act, 2002; Plant Quarantine Order (Regulation of Import into India), 2003; GM policy under Foreign Trade Policy; Food Safety and Standards Act, 2006; Drugs and Cosmetics Rule (8th Amendment), 1988

Option 1 is incorrect: The Wildlife Protection Act, 1972 **does not regulate GM crops.** It is a legislation that aims to protect the wildlife and biodiversity of India. It provides for the establishment of national parks, sanctuaries, conservation reserves, and community reserves, and prohibits the hunting, trade, and commercial exploitation of wild animals and plants, except with a valid permit.

Option 2 is correct: Plant Quarantine Order, 2003 is the order that regulates the import and export of plants and plant products, including GM crops, to prevent the introduction and spread of pests and diseases. The order requires a phytosanitary certificate from the exporting country and a no-objection certificate from the GEAC for any GM crop import or export.

Option 3 is correct: Food Safety and Standards Act, 2006 is the legislation that establishes the Food Safety and Standards Authority of India (FSSAI) as the statutory body to ensure the safety and quality of food in India. The act **requires the approval of the GEAC and the FSSAI for any GM food or feed** and mandates the labelling of any GM food or ingredient.

Option 4 is correct: Environment Protection Act, 1986 (EPA) is the umbrella legislation that regulates the environmental aspects of GM crops, such as biosafety, risk assessment, and liability. The EPA empowers the Genetic Engineering Appraisal Committee (GEAC) to take punitive actions against any violations of the rules and guidelines

Important Tips

Genetic Engineering Appraisal Committee (GEAC): This is the apex body under the Ministry of Environment, Forest and Climate Change (MoEF&CC) that is responsible for the assessment and approval of proposals related to the release of GM organisms and products into the environment, including experimental field trials and commercial cultivation.

Codex Alimentarius guidelines: These are the international standards and guidelines for food safety and quality, developed by the Codex Alimentarius Commission, a joint body of the Food and Agriculture Organization (FAO) and the World Health Organization (WHO).

- India follows the Codex guidelines for the assessment of GM food and feed, as well as the labelling and traceability of GM products

34. Solution: (d)

Exp) Option d is the correct answer.

Drip irrigation system, also known as 'trickle irrigation system', is a method of applying the required amount of water directly to the root zones of plants through drippers or emitters at frequent intervals. In this system, water is applied drop-by-drop or by a micro jet on the soil surface or sub-surface at a rate lower than the infiltration rate of the soil.

Statement 1 is correct: Weeds are the unwanted plants that grow in lawns, gardens and agricultural fields. They compete with the crops for nutrients, moisture and sunlight, which can reduce the crop quality and the yield. These also serve as a habitat for diseases and insect pests, which attack the main crop. Weed growth is inhibited in areas irrigated by drip irrigation as only a limited area gets irrigated. Hence, the threat of weeds and diseases is reduced.

Statement 2 is correct: In Drip irrigation, the foliage of the plant remains dry, thereby reducing its susceptibility towards Fungal diseases. As wet leaves are more susceptible for Fungal Diseases like powdery mildew.

Statement 3 is correct: Various disadvantages of the drip irrigation include:

1. **High initial purchase cost.**
2. Good irrigation management is essential for skilled system operation, application of fertigation and maintenance of the head control unit equipment (filters, injectors, etc.).

3. Emitter blockages. The first limitation on the successful introduction of drip irrigation techniques in developing countries is mechanical clogging of the emitters because of insufficient filtration of impurities in the irrigation water.

Statement 4 is correct: When there's a large volume of water running off the soil's surface, it depletes nutrients and causes soil erosion. Since **drip irrigation reduces surface runoff, it helps in reducing the loss of nutrients and erosion of the soil.**

7.2. Crops, Cropping Patterns and Sustainable Practices

35. Solution: (d)

Exp) Option d is the correct answer.

Conservation Agriculture (CA) is a farming system that can prevent losses of arable land while regenerating degraded lands. It promotes maintenance of a permanent soil cover, minimum soil disturbance, and diversification of plant species.

Statement 1 is correct: Direct seeding involves growing crops without mechanical seedbed preparation and with minimal soil disturbance since the harvest of the previous crop. The term direct seeding is understood in CA systems as synonymous with no-till farming, zero tillage, no-tillage, direct drilling, etc.

Statement 2 is correct: Crop rotation is an important practice followed in the conservation agriculture. A well-designed crop rotation promotes good soil structure, fosters a diverse range of soil flora and fauna that contributes to nutrient cycling and improved plant nutrition, and helps to prevent pests and diseases.

Statement 3 is correct: Keeping the soil covered is a fundamental principle of CA. Crop residues are left on the soil surface, but cover crops may be needed if the gap is too long between harvesting one crop and establishing the next. Cover crops improve the stability of the CA system, not only on the improvement of soil properties but also for their capacity to promote an increased biodiversity in the agro-ecosystem.

36. Solution: (d)

Exp) Option d is the correct answer.

More than 36,000 articles ranging from giant Truck tyres to small bushes are manufactured from rubber. The commercial source of natural rubber is Hevea brasiliensis, which is introduced in India in the year 1902 and planted in Kerala. Even though it is a tropical tree, it grows well in the soils of N.E. states.

Statement 1 is correct: Rubber requires deep and lateritic fertile soil with an acidic pH of 4.5 to 6.0 and rich in phosphorus. **Tropical climate with annual rainfall of 2000 – 4500 mm is suited for rubber cultivation.**

Statement 2 is correct: Minimum and maximum temperature for rubber cultivation should be ranged from 25 to 34°C with **80 % relative humidity is ideal for cultivation.** Regions prone to heavy winds should be avoided. **High humidity is suitable and required in the rubber cultivation. Statement 3 is correct: Rubber is grown in literate or loamy soil, mostly in slope and undulated land or slightly high elaborated flat land** where there is no possibility of water stagnation, and having well drainage facilities. Rubber plants can be successfully grown up to the elevation of 450 meters from mean sea level.

37. Solution: (c)

Exp) Option c is the correct answer.

Climate change, soil degradation, and depletion of natural resources are becoming the most prominent challenges for crop productivity and environmental sustainability in modern agriculture. In the scenario of conventional farming system, limited chances are available to cope with these issues which are discussed below:

Statement 1 is correct: Relay cropping is a method of multiple cropping where one crop is seeded into standing second crop well before harvesting of second crop. Relay cropping may solve a number of conflicts such as inefficient use of available resources, controversies in sowing time, fertilizer application, and soil degradation. Relay cropping is a complex suite of different resource-efficient technologies, which possesses the capability to improve soil quality, to increase net return, to increase land equivalent ratio, and to control the weeds and pest infestation.

Statement 2 is incorrect: Strip intercropping is a more industrialized version of intercropping with rows of individual crops big enough to be harvested with machinery.

Tomatoes, eggplants and potatoes are all from the nightshade family, so they don't work well for intercropping. For one, they use similar nutrients. As well, they attract similar pests and are susceptible to similar diseases. Intercropping with things from the same family is asking for nutrient depletion while promoting troublesome insects and illnesses through a lesser version of, though not far off from, mono-cropping.

Statement 3 is correct: Intercropping requires that different types of plants are grown in the same space at the same time while crop rotation is the concept of growing different types of plants in the same space at different times.

38. Solution: (c)

Exp) Option c is the correct answer.

The **Paira Cropping System** is a traditional conservation agriculture practice where pulse crops like lentils and green gram are sown in standing paddy fields before rice harvest.

Statement 1 is correct: The paira cropping system, a type of relay cropping, involves sowing pulses (like lentil, lathyrus, uradbean, or moong) in a standing rice crop about two weeks before harvest, utilizing residual soil moisture and maximizing land use.

Statement 2 is correct: Paira Cropping System does not allow agronomic intervention such as **tillage, weeding, irrigation and fertilizer** and relies on natural processes for crop growth.

39. Solution: (b)

Exp) Option b is the correct answer.

Makhana, also known as **fox nuts** or **gorgon nuts**, is an aquatic crop primarily cultivated in stagnant water bodies such as ponds, lakes, and wetlands. It is widely consumed due to its **nutritional benefits**, including being rich in protein, fiber, and antioxidants.

Statement 1 is correct: Makhana is mainly cultivated in **stagnant perennial water bodies** like ponds and lakes, making it an aquatic crop.The plant thrives in shallow water, where its seeds mature and float before being harvested.

Statement 2 is incorrect: Makhana does not require high-altitude cold climatic conditions. It **grows best in a humid, tropical, and subtropical climate with moderate temperatures.** The Gangetic plains of Bihar, Assam, and parts of Eastern India provide ideal conditions for its cultivation.

Statement 3 is correct: Makhana is highly **nutritious**, being a rich source of **complex carbohydrates, proteins, and antioxidants**. It has a low glycemic index, making it beneficial for **diabetes management**. The presence of flavonoids and antioxidants helps in reducing inflammation and promoting overall health.

Statement 4 is correct: The Indian Council of Agricultural Research (ICAR) estimates that Bihar produces 10,000 tonnes of makhana per annum, **about 90% of the country's total. India contributes to 80% of the world's demand**. The prickly water lily, from which the seed is harvested, is spread across more than 15,000 hectares in Bihar, and traditionally grows wild.

40. Solution: (d)

Exp) Option d is the correct answer.

The climate not only determines the suitable place to grow tea plants but also affects the quality of tea grown in that area.

Ideal Conditions for Tea Cultivation are:

Statement 1 is correct. Tropical and Sub-tropical climates are optimal for tea cultivation

Statement 2 is correct. Well-drained soil, rich in humus is required for tea cultivation.

Statement 3 is incorrect. Warm and moist climatic condition are needed for cultivation of tea. Humidity required is generally between 75 to 90%.

Statement 4 is incorrect. Annual Rainfall for tea cultivation is generally between 150-700 cm

Statement 5 is correct. Temperature must be in the range 21oC to 290C

41. Solution: (d)

Exp) Option d is the correct answer.

Millets are reilient cereals that can offer a cost-effective and nutrient-rich alternative and help ensure food security. **At its 75th session in March 2021, the United Nations General Assembly declared 2023 the International Year of Millets (IYM 2023)** with the Food and Agriculture Organization of the United Nations (FAO) as the lead agency. Some of the advantages of millets over conventional cereals like wheat and rice are given below:

Millets can grow on arid soils, non-irrigated land, in very low rainfall regimes, and over a wide latitudinal range. **Hence, option 1 is correct.**

Compared to rice and wheat, millets require less water. They also have a low water footprint. **Hence, option 2 is correct.**

In an era of climate change and declining natural resources, the millet crop is an obvious choice for farmers due to its high tolerance for heat (up to 64 degrees Celsius), drought, and flood. **Hence, option 3 is correct.**

They require less input, have higher disease and pest resistance, and require lesser synthetic fertilisers and pesticides. **Hence, option 4 is correct.**

They are gluten-free. **Hence, option 5 is correct.**

Additionally, compared to other cereals, they are more resilient to climate change.

42. Solution: (d)

Exp) Option d is the correct answer.

Green undecomposed material used as manure is called green manure. It is obtained in two ways: by growing **green manure crops or by collecting green leaf** (along with twigs) from plants grown in wastelands, field bunds and forest

Option 1 is correct. Green manuring improves soil structure, increases water holding capacity and decreases soil loss by erosion.

Option 2 is correct. Green manuring helps in **reclamation of alkaline soils**. Root knot nematodes can be controlled by green manuring. Green manure acts mainly as soil-acidifying matter to decrease the alkalinity/pH of alkali soils by **generating humic acid and acetic acid.**

Option 3 is correct. Growing of green manure crops in the off season reduces weed proliferation and weed growth. A well-established over-wintering green manure will smother weed seedlings and some, notably grazing rye, will prevent weed seed germination as they decompose after incorporation into the soil.

43. Solution: (c)

Exp) Option c is the correct answer.

Zero tillage is the process where the crop seed will be sown through drillers without prior land preparation and disturbing the soil where previous crop stubbles are present.

Zero tillage not only reduces the cost of cultivation but also reduces the soil erosion, crop duration and irrigation requirement and weed effect which is better than tillage. Zero Tillage (ZT) also called No Tillage or Nil Tillage. The No Till approach was started in 1960s by the farmers in India.

Advantages of zero tillage : -

Reduction in the crop duration and thereby early cropping can be obtained to get higher yields. **Hence option 1 is correct.**

Reduction in the cost of inputs for land preparation and therefore a saving of around 80%. **Hence option 2 is incorrect.**

Residual moisture can be effectively utilized and the number of irrigations can be reduced.

Dry matter and organic matter get added to the soil.

Environmentally safe - Greenhouse effect will get reduced due to carbon sequestration. **Hence option 3 is correct.**

No tillage **reduces the compaction of the soil** and reduces the water loss by runoff and prevents soil erosion. **Hence option 4 is correct.**

As the soil is intact and no disturbance is done, No Till lands have more useful flora and fauna.

44. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect. Recently, the Genetic Engineering Appraisal Committee (GEAC) that functions under the Union Ministry of Environment, Forest and Climate Change have approved **seed production prior to commercial release of genetically modified (GM) mustard.** GEAC has **not given approval for commercial production of GM Mustard yet.**

Statements 2 and 3 are correct. DMH-11 is an indigenously developed transgenic mustard. It is a genetically modified variant of **Herbicide Tolerant (HT) mustard.** DMH-11 is a result of a cross between Indian mustard variety **'Varuna' and East European 'Early Heera-2'** mustard.

It contains two alien genes ('barnase' and 'barstar') **isolated from a soil bacterium called Bacillus amyloliquefaciens** that enable breeding of high-yielding commercial mustard hybrids.

45. Solution: (c)

Exp) Option c is the correct answer.

Statements 1 and 2 are correct. Reversative agriculture (organic or natural farming) — **a low-cost approach to reducing greenhouse gas emissions.**

Organic matter increase can help with carbon sequestration, while also improving the soil's microbial population.

46. Solution: (d)

Exp) Option d is the correct answer.

A blockchain is "a distributed database that maintains a continuously growing list of ordered records, called blocks." It is a distributed database existing on multiple computers at the same time, which constantly grows as new sets of recordings or blocks are added to it.

Statement 1 is correct: Blockchain can be used to track the journey of agricultural products from farm to fork, ensuring transparency and authenticity. This helps in tracing the origin of products, verifying their quality, and ensuring adherence to regulations and standards. This will help in improving the overall traceability of the agricultural supply chain system.

Statement 2 is correct: Blockchain can be used to establish decentralized marketplaces, which can connect farmers directly with consumers or buyers, eliminating intermediaries and reducing transaction costs. This can result in fairer prices for farmers and fresher products for consumers.

Statement 3 is correct: Blockchain technology can be used to develop tamper proof ledger-based data storage. In agriculture, it can be used for digitization of land records and their management. States like Andhra Pradesh and Telangana have started using blockchain for this purpose. Such tamper proof land records aid in contract farming.

Statement 4 is correct: Blockchain can be used to protect intellectual property rights related to agricultural innovations, such as new crop varieties or farming techniques. Smart contracts can enforce licensing agreements and can help ensure fair compensation to intellectual property owners.

Statement 5 is correct: Blockchain enhances agricultural insurance and risk management by providing transparent and automated processes for policy issuance, claims processing, and risk assessment. Smart contracts can automate insurance agreements based on predefined triggers, ensuring timely payouts for insured events such as crop losses or weather disasters

47. Solution: (b)

Exp) Option b is the correct answer.

Surge flow irrigation is a surface irrigation technique that applies water to the furrows in an **intermittent fashion of ON and OFF cycles**. This method can reduce water losses due to runoff and deep percolation and improve the uniformity of soil moisture distribution. It can also save land by eliminating the need for cross ridges and feeder channels.

Some of the benefits of surge flow irrigation are:

1. It can increase the irrigation efficiency to more than 85%.
2. It can generally irrigate twice the area of land with the same volume of water compared to traditional irrigation methods.
3. It can reduce soil erosion and weed growth.
4. It can facilitate the automation of furrow irrigation

Important Tips

1. **Furrow Irrigation:** The furrow method of irrigation is generally used to irrigate row crops and vegetables, and is suited to soils in which the infiltration rates are between 0.5 and 2.5 cm/hr. It is ideal for slopes varying from 0.2 to 0.5 percent and a stream size of 1-2 liter/second.

2. **Subsurface Drip Irrigation (SDI):** SDI is a low-pressure, low volume irrigation system that uses buried tubes to apply water. The applied water moves out of the tubes by soil matrix suction. Wetting occurs around the tube and water moves in the soil in all directions.
3. **Check Basin and Border Strip Irrigation: Surface irrigation involves water application by gravity flow to the field's surface.** Over the years many surface methods of irrigation have been developed. Among them, the check basin method of irrigation is the most popular. Check basin is the easiest and least costly method but is highly inefficient as only less than 20% of the water is taken up by the plant.

48. Solution: (a)

Exp) Option a is the correct answer.

Organic farming and Zero Budget Natural Farming (ZBNF) are two farming techniques that rely on natural inputs and avoid the use of synthetic chemicals. Both aim to minimize the negative impacts of agricultural practices on the environment and improve farmers' income.

Statement 1 is correct: In organic farming, **farmers still rely on traditional agricultural practices such as plowing, tilling, manure mixing** to maintain soil fertility and manage pests. However, natural farming promotes the decomposition of organic matter by microbes and earthworms directly on the soil surface. In the Zero Budget Natural Farming **(ZBNF) system, farmers do not require tillage of land** as this system relies on nature to complete this process.

Statement 2 is incorrect: Both organic farming and ZBNF discourage the use of genetically modified (GM) crop varieties due to concerns about their ecological and ethical implications. They typically promote locally adapted, naturally pollinated crop varieties.

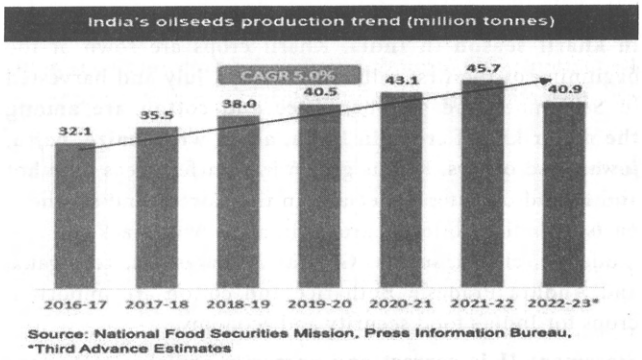
49. Solution: (a)

Exp) option a is the correct answer.

India is one of the largest producer and consumer of oilseeds globally. Oilseed accounts for 13% of the gross cropped area, and 3% of Gross National product. Major oilseeds cultivated in India includes: Soyabean, Groundnut, Mustard, Sunflower, Sesame, Coconut, Palm oil, etc

Statement 1 is correct: India is the world's leading importer of edible oils and is likely to remain an important source of global import demand for the foreseeable future. A large population and steady economic growth are important contributors to India's increasing consumption and imports, but policy has also played a key role. **More than half of India's domestic demand for edible oil is met through imports** with it being the largest importer of palm, soyabean and sunflower oil in the world.

Statement 2 is incorrect: The production of oilseeds in India has been growing for the last five years. In 2022-23, the production of oilseeds in the country was 40.9 million tonnes. From the years 2015-16 to 2022-23, the compound annual growth rate (CAGR) of oilseed production was 5%.



Source: National Food Securities Mission, Press Information Bureau, *Third Advance Estimates

Statement 3 is incorrect: More than half of India's domestic demand for edible oil is met through imports. India imported 164.7 lakh Tonnes of edible oil worth 1.38 lakh crore in 2022-23. India is the largest importer of palm, soyabean and sunflower oil in the world. **Of all the imported edible oils, the share of palm oil (57%) is the largest, followed by soybean oil (29%) and sunflower (14%).**

50. Solution: (c)

Exp) Option c is the correct answer.

Sugarcane is grown throughout India, with the exception of cold hilly areas such as Kashmir Valley, Himachal Pradesh, and Arunachal Pradesh. The subtropical region accounts for approximately 55% of the total sugarcane area and 45% of total sugarcane production.

Statement 1: Sugarcane requires a significant amount of water throughout its growth cycle, making adequate and consistent water supply essential for optimal growth and yield. It generally requires 75-100 cm of rainfall. While sugarcane can tolerate periods of drought, irrigation is often necessary, especially during critical growth stages. Therefore, areas with access to irrigation or regions with sufficient rainfall are ideal for sugarcane cultivation.

Statement 2: Sugarcane is a tropical and subtropical crop that thrives in warm climates with temperatures ranging between 21°C to 27°C. Additionally, sugarcane requires adequate moisture, and dry climatic conditions may lead to water stress, affecting crop productivity.

Statement 3: Sugarcane grows best in well-drained soils with good fertility and aeration. While it can adapt to various soil types, including sandy loam, loamy, and clay soils, well-drained soils with good fertility are preferred for optimal growth and yield. Adequate soil fertility ensures that sugarcane plants have access to essential nutrients throughout their growth cycle, contributing to healthy growth and high-yielding crops.

Statement 4: Around 55 per cent of total cane area in the country is in the sub-tropics. U.P, Bihar, Haryana and Punjab comes under this region.

51. Solution: (a)

Exp) Option a is the correct answer.

India has three main crop seasons: Kharif, Rabi, and Zaid. These seasons are based on the monsoon, temperature, and soil conditions of the country.

Statement I is correct: Rice and cotton are **primarily sown in kharif season in India**. Kharif crops are sown at the beginning of the first rains in June and July and harvested in September and October. **Rice and cotton are among the major kharif crops in India, along with maize, bajra, jowar, and others.** Rice is grown in rain-fed areas with hot and humid climates, especially in the eastern and southern parts of India. Cotton is grown in areas with black soil and moderate rainfall, such as Gujarat, Maharashtra, Telangana, and Andhra Pradesh. Both rice and cotton are important crops for India's food security and economy.

Statement II is correct and correctly explains statement I: Rice and cotton require warm and wet weather at major period of their growth. Rice and cotton need a lot of water and heat to grow, which are available during the monsoon season.

1. Rice is a kharif crop which requires high temperature, (above 25°C) and high humidity with annual rainfall above 100 cm.
2. Cotton requires high temperature, light rainfall or irrigation, 210 frost-free days and bright sun-shine for its growth. It is a kharif crop and requires 6 to 8 months to mature.
3. The reason why rice and cotton are sown in kharif season in India is because they need warm and wet weather conditions, which are provided by the monsoon season.

52. Solution: (a)

Exp) Option a is the correct answer.

Agriculture is a land-based activity. The quality and size of land have a direct bearing on the productivity of agriculture.

Statement I is correct: Generally, Gross cropped area will be more than Net Sown area. For example, according to the Agricultural Statistics at a Glance 2022, the **Gross cropped area of India in 2019-20 was 211.4 million hectares,** while the Net sown area was 139.9 million hectares. This shows that Gross cropped area was about 44% more than Net sown area in India. This fact generally stands true all over the world.

Statement II is correct and explains statement I: Gross Cropped Area represents the total area sown once and/or more than once in a particular year, i.e. the **area is counted as many times as there are sowings in a year.** This total area is also known as total cropped area or total area sown.

Net Area Sown represents the total area sown with crops and orchards. **Area sown more than once in the same year is counted only once in Net Sown Area.**

Therefore, Statement-II correctly explains the difference between Gross cropped area and Net sown area.

53. Solution: (a)

Exp) Option a is the correct answer.

Outperforming the agricultural sector in profitability and productivity, India's horticulture industry has seen significant growth in recent times.

Statement 1 is correct: The Indian horticulture sector contributes about 33% to the agriculture Gross Value Added (GVA) in 2023-24, making a significant contribution to the Indian economy.

Statement 2 is incorrect: Even though India's **horticulture sector** is growing, the **country's share in global trade remains insignificant**, accounting for **only 1% of the global trade** in vegetables and fruits. Export growth is being undermined by production challenges, marketing challenges, inadequate transport infrastructure, fragmented supply chains, and insufficient storage facilities.

Statement 3 is incorrect: India is the **second largest producer of fruits and vegetables** in the world, **after China.** In 2023, India produced an estimated 107 million metric tons of fruits and 212 million metric tons of vegetables. India's diverse climate provides a variety of fresh fruits and vegetables.

54. Solution: (d)

Exp) Option d is the correct answer.

Mulching involves covering soil around plants with organic or inorganic materials to conserve moisture, improve soil health, and suppress weeds. This widely used practice in agriculture and landscaping offers benefits like moisture retention, temperature stabilization, and erosion prevention.

Option 1 is correct: Increase Water Infiltration:

Mulch helps to improve the soil's ability to absorb water by reducing surface runoff. When rain falls on mulch, the mulch acts like a sponge, absorbing water and then slowly releasing it into the soil. This process helps to ensure that more water reaches the plant roots instead of running off the surface, which is especially beneficial in areas with compacted soil or during heavy rainfall.

Option 2 is correct: Suppressing Weed Growth:

Mulch acts as a physical barrier over the soil, limiting the amount of sunlight that can reach weed seeds. Without sufficient light, many weed seeds cannot germinate, which helps to reduce the number of weeds competing with desirable plants for nutrients, water, and space. Additionally, mulch can smother existing small weeds, making it easier to maintain a tidy garden or landscaped area.

Option 3 is correct: Controlling Soil Erosion:

By covering the soil, mulch helps to protect it from the erosive forces of wind and water. During rainstorms, mulch absorbs the impact of raindrops, which can otherwise displace soil particles and lead to erosion. In windy conditions, mulch helps to keep the soil in place, preventing it from being blown away.

Option 4 is correct: Regulating the Soil Temperature:

Mulch acts as an insulating layer over the soil, moderating temperature fluctuations. In hot weather, it helps to keep the soil cooler by shading it from the sun's intense rays. In cooler weather, mulch can keep the soil warmer by retaining heat that might otherwise be lost. This regulation of soil temperature can help to promote healthier plant growth and extend the growing season for some plants.

Option 5 is correct: Improving Microbial Biodiversity in the Soil:

Mulch can contribute to a healthier soil ecosystem by providing a habitat for beneficial microorganisms. As organic mulches decompose, they add organic matter to the soil, which feeds a variety of soil organisms, including bacteria, fungi, and earthworms. These organisms play crucial roles in nutrient cycling, improving soil structure, and helping plants to absorb nutrients. A more biodiverse microbial community in the soil can lead to healthier plants and more resilient soil systems.

55. Solution: (a)

Exp) Option a is the correct answer.

Statement I is correct. Silvopasture systems offer several environmental benefits, including:

1. **Nutrient cycling:** The deep root systems of trees help draw nutrients from deeper soil layers and bring them up to the surface, while fallen leaves and manure from livestock decompose and replenish nutrients in the topsoil.
2. **Improved soil stability:** Tree roots hold the soil together, preventing erosion from wind and water runoff.
3. **Combating erosion:** The combined effect of tree cover and improved soil structure helps prevent soil erosion, a major threat to agricultural land.

Statement II is correct. A silvopasture system integrates three key elements:

1. **Trees:** Strategically chosen trees are incorporated into the pastureland.
2. **Forage:** Grasses, legumes, and other plants suitable for grazing animals are grown.
3. **Livestock:** Animals like cows, sheep, or goats graze on the forage within the silvopasture system.

Statement II is correct explanation for statement I. In silvopasture systems, **trees, forage crops, and livestock** are integrated on the same land. This integration is crucial because each component **plays a specific role in enhancing soil stability, nutrient cycling, and erosion control.** For example, Trees in silvopasture systems contribute to improved soil stability by anchoring the soil with their roots. Their extensive root systems help prevent soil erosion, especially in areas prone to runoff and degradation. Also manure form livestock adds organic matter and nutrients to the soil.

56. Solution: (c)

Exp) Option c is the correct answer.

Yellow rust manifests as yellowish-orange pustules or stripes on the leaves, stems, and spikes of infected wheat plants. These pustules contain spores of the fungus, which can spread through wind and rain, leading to the rapid spread of the disease within wheat fields.

Statement 1 is correct. Stripe rust, also known as yellow rust, is caused by the **fungus Puccinia striiformis f. sp. tritici.** The disease primarily occurs on leaves, although glumes and awns may also be affected.

Statement 2 is correct. It predominantly affects wheat (Triticum aestivum) crops, although it can also infect other cereal grains such as barley and oats to a lesser extent.

Important Tips

The ideal growth conditions for yellow rust are temperatures of between 8-13°C for spore germination and penetration, and 12-15°C for further development and with free water. This makes yellow rust more of a spring disease.

57. Solution: (c)

Exp) Option c is the correct answer.

Regenerative agriculture (RA) is a holistic approach to farming that focuses on improving soil health, promoting biodiversity, and enhancing ecosystem services. It aims to create a more sustainable and resilient agricultural system that benefits the environment, farmers, and consumers alike.

Statement 1 is correct. Regenerative agriculture primarily focuses on improving soil health through various practices aimed at enhancing soil structure, increasing soil organic matter, promoting biodiversity, and improving nutrient cycling.

Statement 2 is correct. Zero tillage or minimal tillage is commonly practiced in regenerative agriculture. These practices help to minimize soil disturbance, reduce erosion, and preserve soil structure and organic matter.

Statement 3 is incorrect. While regenerative agriculture emphasizes reducing reliance on synthetic inputs and promoting natural soil fertility, **it does not strictly ban the use of synthetic fertilizers altogether.** Instead, it encourages the use of organic and natural fertilizers, cover cropping, crop rotations, and other soil-building practices to enhance soil fertility and nutrient availability.

Statement 4 is correct. RA uses **adaptive multi-paddock grazing (AMP, or adaptive grazing) that is,** moving cattle and other pastured animals (sheep, goats, turkeys, bison, pigs) through smaller sections of the overall land and allowing grazed land adequate rest and recovery.

Important Tips

The following farming, ranching and land use practices are used to create regenerative food systems and healthy natural ecosystems.

1. Aquaculture
2. Agroecology
3. Agroforestry
4. Biochar
5. Compost
6. Holistic Planned Grazing
7. No-till
8. Pasture Cropping
9. Perennial Crops
10. Silvopasture

58. Solution: (a)

Exp) Option a is the correct answer.

India is one of the world's leading agricultural producers, with a diverse range of crops and products contributing significantly to its economy.

Option 1 is incorrect: Rice: China stands as the world's **largest producer of rice**, contributing approximately 28%(146 million metric tons) of the total global rice production for the year 2022 -23. On the other hand, **India is the second-largest producer,** accounting for around 24.5% (over 135 million metric tons of milled rice) of the world's rice production for the same year.

Option 2 is incorrect: Wheat: China, not India is the **largest producer** of Wheat. China, contributing 18% of the world's total, holds the top position as the largest wheat producer, **followed by India at 14%**, securing the second spot. The Russian Federation claimed the third-largest wheat producer title in 2021, accounting for 10% of global production.

Option 3 is correct: Milk: India held the **top position** as the highest milk producer globally, contributing twenty-four percent of the world's total milk production in the year 2021-22, according to data from the Food and Agriculture Organisation Corporate Statistical Database (FAOSTAT). **USA** is the **second largest** producer of Milk.

Option 4 is correct: Pulses: India is the **largest, producer, consumer and importer of Pulses** in the world. The pulses production which was 18.24 MMT during 2010-11 rose to the record level of 26.96 MMT during 2021-22, an increase of about 48 percent

Option 5 is incorrect: China is the largest producer, accounting for nearly 50 percent of world tea production, followed by India, with a 20.5 percent share in 2021

Option 6 is correct: Millets: India stands as the world's **leading producer of millets**, with an annual yield of approximately 13,210 kilotons as of 2023. Additionally, millets are a key staple food and cash crop in India, among several other countries. Niger is the second largest millet producing country in the world followed by China at third.

59. Solution: (b)

Exp) Option b is the correct answer.

Cashew (Anacardium occidentale) is a **tropical evergreen tree** known for producing cashew **seed** and the **cashew apple**. It is **native to northeastern Brazil but** is now widely cultivated in various tropical climates for its nuts and fruits.

Statement 1 is correct: Well-drained deep sandy loam soils are essential for cashew cultivation as these soils provide the **necessary aeration and drainage for the roots**, promoting healthy growth.

Statement 2 is correct: Cashews require a **significant amount of water** (Annual rainfall requirement of **2000 to 3500 mm**), especially during the **growing season**, but the water needs to be well-distributed throughout the year, avoiding periods of excessive wetness.

Statement 3 is incorrect: Cashew trees thrive in **warm climates**, and **temperature range of 30 to 38°C** is **ideal** for their growth and development, particularly for flowering and fruit setting.

60. Solution: (a)

Exp) Option a is the correct answer.

In order to provide remunerative prices to the coconut cultivators, copra is included under Minimum Support Prices (MSPs) scheme. The Cabinet Committee on Economic Affairs increased the Minimum Support Price (MSP) of coconut for 2024. The MSP for ball copra, or dry coconut, is now Rs 12,000 per quintal, an increase of Rs 250, and for milling copra, it is Rs 11,160, an increase of Rs 300 per quintal.

Statement 1 is correct: The government of India provides Minimum Support Price for copra. In the Union Budget of 2018-19, MSPs of all the mandated crops were fixed to at least 1.5 times the all-India-weighted-cost of production.

Statement 2 is incorrect: Karnataka is the largest producer of copra in India (2021-22):

Ranks	State	Production (in 1000 tonnes)	Share(%)
1	Karnataka	4,210.87	30.83
2	Tamil Nadu	3,751.26	27.47
3	Kerala	3,307.78	24.22

61. Solution: (b)

Exp) Option b is the correct answer.

Pulses are one of the important food crops globally due to their higher protein content. Pulses are 20 to 25 percent protein by weight which is double the protein content of wheat and three times that of rice.

Statement 1 is correct: India is the world's **largest producer, consumer, and importer of pulses**, accounting for 25% of global production, 27% of world consumption, and 14% of imports respectively. India also accounts for 15% of international pulses trade.

Statement 2 is incorrect: Pulses in India are grown in both Kharif and Rabi seasons. **Rabi pulses contribute more than 60% of the total annual production of pulses in India, not Kharif pulses**. Kharif pulses are sown during the monsoon season (June-September) and harvested in winter, while Rabi pulses are sown in winter (October-February) and harvested in spring.

Statement 3 is correct: In the last five years, under individual crop category, **gram with 47 per cent production share to total pulses is the highest contributor** followed by Tur (15 per cent), Mung (12%), Urd (10%) and Lentil (5%).

Important Tips

Additional Facts:

1. Pulses account for around 20% of the area under foodgrains and contribute around 7-10% of the total foodgrains production in the country.

2. Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh and Karnataka are the top five pulses-producing states.
3. Major Export Destinations (2022-23) : Bangladesh, China, United Arab Emirates, U.S.A and Nepal

62. Solution: (c)

Exp) Option c is the correct answer.

Rapeseed/Toria and mustard are the third most important edible oilseed crops of the world after soybean and oil palm.

Statement 1 is correct. Rapeseed is a subtropical crop cultivated during rabi season in north-western and central parts of India. These are frost sensitive crops and their yields fluctuate from year to year. In India they are **grown in Rabi season from September-October to February-March** as rapeseed requires cool and dry weather and a fair supply of soil moisture during the growing period and a dry clear weather at the time of maturity.

Statement 2 is correct. Rapeseed require sandy loam to clay loam soils but **it thrives best on light loam soils. Rapeseeds do not tolerate water logging conditions** or heavy soils Soil having neutral pH is ideal for their proper growth and development.

Statement 3 is correct: White rust disease, caused by the fungus Albugo candida, poses a threat to rapeseed yield. Characterized by white pustules on plant parts, severe infections lead to defoliation and decreased photosynthesis. Effective management strategies such as resistant varieties and fungicide applications are crucial to mitigate yield losses.

Statement 4 is incorrect: Rajasthan (not Chhattisgarh) is the major producer of rapeseed (canola) in India. The state's favorable agro-climatic conditions, including semi-arid to arid regions, make it conducive for rapeseed cultivation. Additionally, Rajasthan's agricultural practices and infrastructure support significant rapeseed production, contributing significantly to India's overall output.

Important Tips

The oil content of rapeseed and Mustard varies from 37 to 49%. The seed and oil are used as condiment in the preparation of pickles, curries, vegetables, hair oils, medicines and manufacture of greases. The oil cake is used as feed and manure. The leaves of young plants are used as green vegetables and green stem and leaves are a good source of green fodder for cattle. In the tanning industry, mustard oil is used for softening leather.

63. Solution: (c)

Exp) Option c is the correct answer.

Paddy, wheat, maize, sorghum(jowar), pearl millet (bajra) etc., are major cereal crops of India.

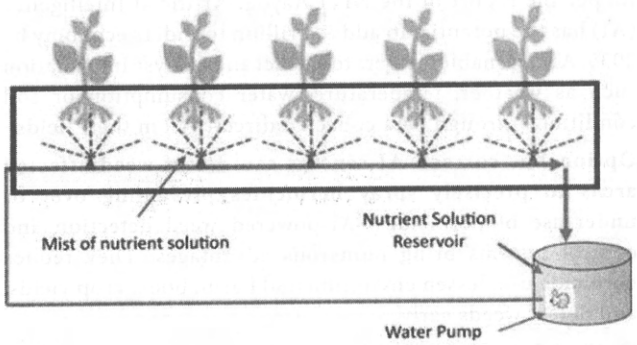
Statement 1 is correct: Cereals account for about 50% of the total cropped area in India. According to the latest data from the Ministry of Agriculture and Farmers Welfare, Government of India, cereals occupied about 50% of the total cropped area in the country during the year 2021-22. This includes rice, wheat, maize, jowar, bajra, and other minor cereals.

Statement 2 is correct: India is **the largest producer as well as the largest exporter of cereal products in the world.** India's export of cereals stood at 13,857.95 USD Millions during the year 2022-23. Out of all cereals, Rice occupied the major share of around 80% of total cereal exports. Wheat and other cereals occupied only 20% of the cereal export share.

64. Solution: (b)

Exp) Option b is the correct answer

Aeroponics is the practice of growing plants in an air or mist environment without the use of any substrate.



Statement 1 is correct: Aeroponics is soil-less gardening method of growing crops. The biggest advantage of acroponics is that roots are exposed to air, thus there is never an issue of insufficient oxygen.

Statement 2 is incorrect: The disadvantage of aeroponics include high initial construction costs, high maintenance of the system, and high level of technical knowledge required.

Statement 3 is correct: Generally, aeroponic growing system do not use pesticides. Hence, aeroponics systems can reduce water usage by 98 percent, fertilizer usage by 60 percent, **and pesticide usage by 100 percent**, all while maximizing crop yields. Plants grown in the aeroponic systems have also been shown to uptake more minerals and vitamins, making the plants healthier and potentially more nutritious.

65. Solution: (a)

Exp) Option a is the correct answer.

Irrigation ensures a consistent water supply, allowing farmers to cultivate crops throughout the year and increase overall productivity. However, excessive irrigation can lead to the accumulation of salts in the soil which are detrimental to crop growth.

Statement-I is correct: Intensive agriculture with extensive fertilizer and irrigation leads to the **formation of saline soils** due to the accumulation of salts on top of the soil. This phenomenon is particularly observed in areas that benefited from the Green Revolution, **such as Punjab and Haryana**. In these regions, fertile alluvial soils are increasingly becoming saline. To address the issue of soil salinity, **farmers are often advised to add gypsum** as a corrective measure in their cultivation practices.

Statement-II is correct and explains Statement-I: Excessive irrigation can raise the water table through capillary action, bringing salts closer to the surface. Excessive irrigation, which increases water infiltration into the ground, raises the water table. This brings naturally occurring dissolved salts closer to the soil surface. The sun's heat induces water evaporation and **creates a suction force through capillary action,** drawing both water and dissolved salts upward through the soil profile. Thus, leading to the formation of saline soils.

66. Solution: (b)

Exp) Option b is the correct answer.

As per the report of the NITI Aayog, Artificial Intelligence (AI) has the potential to add $1 trillion to India's economy by 2035. AI can enable farmers to extract and analyse information such as weather, temperature, water consumption or soil conditions through data collected directly from their fields.

Option 1 is correct: AI sensors can detect weed affected areas to precisely spray herbicides preventing over or under-use of herbicides. AI-powered weed detection and control systems bring numerous advantages. They reduce herbicide use, lessen environmental harm, boost crop yields, and detect weeds early.

Option 2 is correct: AI technologies, such as machine learning, drone applications, and remote sensing, **enable precise monitoring of crop health,** soil conditions, and weather patterns, allowing farmers to make informed decisions. These allow for targeted interventions, such as **precise application of water and fertilizers.** Ex: SENSAGRI: Sensor-based Smart Agriculture is a project to develop an indigenous prototype for drone based crop and soil health monitoring system using remote sensors.

Option 3 is correct: The use of AI in agriculture can lead to more efficient farming practices and better decision-making. **AI drones fly over fields, capturing high-resolution images and multispectral data that can identify issues such as nutrient deficiencies,** pest infestations, or water stress.

Option 4 is incorrect: AI tools can enable farmers to analyse large datasets of genetic information, allowing them to identify and select animals with desirable traits like disease resistance, high milk production, or efficient feed conversion but **it cannot directly enhance the genetics of farm animals.**

Option 5 is correct: Remote sensing technologies in agriculture allow for **precise mapping of soil variability** for targeted interventions.

67. Solution: (b)

Exp) Option b is the correct answer.

The Livestock Sector is an important subsector of agriculture in the Indian economy. It grew at a Compound Annual Growth Rate (CAGR) of 12.99% from 2014-15 to 2022-23.

Statement 1 is incorrect: The contribution of livestock in total agriculture and allied sector Gross Value Added (GVA) **has increased from 24.38% in 2014-15 to 30.23% in 2022-23 (at Current Prices). So it has not doubled but increased significantly.** The livestock sector contributed 5.50% of total GVA in 2022-23(at Current Prices).

Statement 2 is correct: India is ranked first in milk production contributing 24.76% of global milk production. **Milk production is growing at the Compound Annual Growth Rate (CAGR) of 5.62% over the past 10 years** from 146.31 million tonnes during 2014-15 to 239.30 million tonnes during 2023-24. **World milk production has grown by 1.50% during 2023 in comparison to the year 2022** (Food Outlook November' 2024).

The per capita availability of milk is 471 grams per day in India during 2023-24 as against the world average of 329 grams per day in 2023

68. Solution: (a)

Exp) Option a is the correct answer.

India has three cropping seasons: Summer (zaid), Kharif, and Rabi.

The kharif cropping season is from July to October during the south-west monsoon. Kharif crops are sown during June-July and are harvested in October-November. They are dependent on monsoon rains.

The Rabi cropping season is from October to March (winter). Rabi crops are sown in October-November, and are harvested in February-March.

The crops grown between March and June are summer crops or Zaid crops. The cultivation of watermelons, cucumbers, vegetables and fodder crops is done during this season.

The kharif crops include rice, maize, sorghum, jute, pearl millet/bajra, finger millet/ragi, arhar, soyabean, groundnut, cotton etc. The rabi crops include wheat, barley, oats, chickpea/gram, linseed, mustard etc.

Option 1 is incorrect. Wheat is a rabi crop. Wheat is the second most important cereal crop in India after rice. It is primarily a crop of the temperate zone. Hence, its cultivation in India is done during winter i.e. rabi season. Being a rabi crop, it is mostly grown under irrigated conditions.

Option 2 is incorrect. Mustard is a rabi crop. It is a subtropical crop cultivated during rabi season. It is an oil seed crop. It is mostly grown in north-western and central parts of India.

Option 3 is correct. Cotton is a kharif crop. It is a tropical crop that requires 6 to 8 months to mature. India grows both short staple (Indian) cotton as well as long staple (American) cotton.

Cotton grows well in drier parts of the black cotton soil of the Deccan plateau. It requires high temperature, light rainfall or irrigation, 210 frost-free days and bright sunshine for its growth.

Option 4 is correct. Maize is a kharif crop. It is a crop which is used both as food and fodder. It requires a temperature between 21°C to 27°C and grows well in old alluvial soil. It is grown mostly

under semi-arid climatic conditions and over inferior soils.

Option 5 is incorrect. Gram is a rabi crop. Gram is one of the main pulses cultivated in India. Gram is cultivated in subtropical areas. It is mostly a rainfed crop cultivated during rabi season in central, western and northwestern parts of the country.

69. Solution: (b)

Exp) Option b is the correct answer.

Pair 1 is correct: Relay Cropping

- **Definition**: In relay cropping, a **second crop is sown before the first crop is harvested**.
- **Purpose:** This technique ensures continuous use of land and resources, maximizing productivity.
- **Example:** Sowing wheat before harvesting paddy.

Pair 2 is incorrect: Intercropping

- The given definition describes **Mixed Cropping**, not Intercropping.
- **Correct Definition**: Intercropping **involves growing two or more crops together in a planned row arrangement** to optimize land and nutrient use.
- **Purpose:** It improves resource efficiency and reduces pest/disease spread.
- **Example**: Maize and beans grown in alternate rows.

Pair 3 is correct: Ratoon Cropping

- **Definition:** In ratoon cropping, a **new crop is grown from the residual stubble of the previous crop without replanting**.
- **Purpose**: It reduces seed and land preparation costs, as the root system is already developed.
- **Example**: Sugarcane is often ratooned, meaning new growth occurs from the leftover stubble after the first harvest.

Important Tips

Other important types of cropping patterns:

1. Mono Cropping (Monoculture)

- Growing **only one crop** in a particular field season after season.
- Common in commercial farming.
- **Example**: Rice cultivation in coastal areas.

2. Multiple Cropping

- Growing **more than one crop** on the same land in a year.
- Helps in better utilization of land and resources.
- **Example**: Wheat in winter, rice in summer.

3. Sequential Cropping

- Growing **two or more crops in sequence** on the same field in a year.
- The second crop is planted after the first is harvested.
- **Example**: Wheat followed by maize.

4. Alley Cropping (Agroforestry)

- Growing crops between **rows of trees or shrubs** to improve biodiversity and soil health.
- Protects crops from wind and erosion.
- **Example**: Maize grown between rows of nitrogen-fixing trees.

5. Strip Cropping

- Growing crops in **alternate strips** along a slope or field to reduce soil erosion.
- Helps in moisture conservation.
- **Example**: Alternating strips of wheat and mustard.

6. Contour Cropping

- Crops are planted along the **natural contours** of a slope to reduce water runoff and soil erosion.
- Used in hilly areas.
- **Example**: Tea plantations in Assam and Darjeeling.

70. Solution: (c)

Exp) Option c is the correct answer.

Precision farming is an approach that focuses on using inputs in exact quantities to achieve higher average yields compared to traditional farming methods. The potential of precision farming technologies includes Internet of Things (IoT), remote sensing, and smart irrigation systems, which work together to optimize water usage and enable real-time environmental monitoring.

Option 1 is correct: Precise agriculture inputs (like fertilizers, water) determined scientifically through analysis of data captured by sensors enhances the agriculture output and promotes the yield.

Option 2 is correct: Precision farming helps in the targeted application of pesticides, reducing their overall use and minimizing environmental impact.

Option 3 is correct: Precision farming employs technologies like smart irrigation systems that optimize water use, reducing wastage and improving efficiency.

Option 4 is correct: Precision farming includes techniques like sensors, drones, and satellite imaging to monitor plant health, allowing for early detection of issues and reducing crop loss.

Option 5 is correct: Automation and data-driven decision-making in precision farming can lead to a reduction in labor requirements, as fewer people are needed to manage tasks like irrigation, fertilizing, and pest control.

Option 6 is incorrect: Precision farming relies on specialized tools like GPS-guided tools, sensors, drones, and data analysis software. These can be expensive to buy and maintain. While precision farming can save money in the long run by optimizing inputs, the **upfront investment can be significant, making it potentially more expensive than traditional farming methods initially.**

71. Solution: (c)

Exp) Option c is the correct answer.

The **Direct Seeding of Rice** (DSR) method is an alternative to traditional transplanting, where **rice seeds are directly sown into the field instead of first being raised in nurseries and then transplanted**. This method eliminates the need for puddling (wet field preparation) and manual transplantation, making rice cultivation more resource-efficient.

Option 1 is correct: In **traditional transplanting**, labour is needed for raising nurseries, uprooting seedlings, and manually transplanting them into puddled fields. DSR eliminates these steps, significantly **reducing labour costs** and **dependency.** This is particularly beneficial in regions facing labour shortages.

Option 2 is correct: DSR reduces methane (CH_4) **emissions** due to less water stagnation. On the other hand, N_2O emissions can increase in DSR because the soil remains more aerated than in flooded fields, leading to higher nitrification-denitrification processes that produce N_2O.

Option 3 is correct: Traditional transplanting requires **continuous flooding**, which leads to **high water consumption**. **DSR**, on the other hand, **uses less water**, as it relies on moisture conservation and intermittent irrigation rather than prolonged submergence. This makes it more sustainable, especially in water-scarce regions.

Option 4 is incorrect Lodging occurs when plants fall over due to weak stems or shallow roots. In transplanted rice, the roots develop deeper due to the puddling effect, providing better anchorage. However, in **DSR,** since seeds are directly sown, **roots may not develop as deeply**, making plants more **prone to lodging**, especially during storms or heavy rain.

Option 5 is correct: In traditional transplanting, seedlings experience transplant shock, which slows down early growth. **DSR** eliminates this shock, allowing **plants to mature 7-10 days earlier**, facilitating timely sowing of the next crop in crop rotation systems.

Important Tips

Other Advantages of Direct Seeded Rice (DSR):

1. Maintains yield levels under optimal conditions without significant reduction.
2. Shortens cultivation duration while reducing energy and input costs.
3. Enhances farmers' profitability by lowering overall production expenses.
4. Improves soil structure by preventing the degradation caused by repeated puddling.

Disadvantages of DSR:

1. Difficulty in weed management due to the absence of a standing water layer.
2. Higher seed requirement, as it requires 8-10 kg per acre compared to 4-5 kg in traditional transplanting.
3. Increased land preparation costs due to the need for laser land levelling for uniform seed distribution.

72. Solution: (c)

Exp) Option c is the correct answer.

Fertigation is an agricultural technique that involves **applying fertilizers**, used for soil amendments, water amendments and other water-soluble products **through an irrigation system**.

- It enables **precise delivery of nutrients** directly to the root zone, leading to improved crop growth, reduced wastage, and better soil health.
- It is widely used in modern farming, particularly in **drip and sprinkler irrigation systems,** to enhance efficiency and productivity.

Option 1 is correct: Fertigation allows nutrients to be delivered directly to the plant's root zone in a soluble and readily available form. This **enhances nutrient absorption efficiency** compared to traditional soil application methods.

Option 2 is correct: Since fertigation combines irrigation and fertilization, it **optimizes resource utilization.** Water and fertilizers are applied in controlled quantities, reducing excessive usage and ensuring that plants receive the right amount at the right time. This leads to significant savings in both water and fertilizer inputs.

Option 3 is incorrect: One of the **major challenges of fertigation**, especially in drip irrigation systems, is the **risk of clogging**. Undissolved fertilizer particles, salt deposition, or microbial growth can block emitters, reducing efficiency. Proper filtration, regular maintenance, and the use of fully soluble fertilizers are required to mitigate this issue.

Option 4 is correct: Unlike conventional fertilizer application, which may lead to surface runoff or deep leaching of nutrients, fertigation ensures nutrients are applied in small, controlled doses. This **minimizes soil erosion** and **prevents excessive leaching of nutrients**, thereby protecting the environment.

Important Tips

Additional Advantages of Fertigation

1. **Uniform Nutrient Distribution** – Ensures even application of fertilizers across the field.
2. **Flexibility in Fertilization** – Allows farmers to adjust nutrient supply based on crop growth stages.
3. **Reduced Labor Costs** – Automation reduces the need for manual fertilizer application.
4. **Minimized Weed Growth** – Fertilizers are applied directly to plant roots, limiting nutrients available to weeds.
5. **Lower Environmental Impact** – Reduces runoff, leaching, and groundwater contamination.
6. **Increased Crop Yield and Quality** – Provides a steady nutrient supply, leading to healthier plants and better produce.
7. **Time-Saving** – Combines irrigation and fertilization into one process, saving time and effort.
8. **Control of Alkalinity in Irrigation Water** – Fertigation helps regulate pH levels.

73. Solution: (a)

Exp) Option a is the correct answer.

Subsistence agriculture is one of the important methods of the agricultural system where farmers consume most or all of the products grown locally. It can be classified into two types: Primitive Subsistence Agriculture and Intensive Subsistence Agriculture. Intensive Subsistence Agriculture is predominantly practiced in densely populated regions of monsoon Asia and has various features

Statement 1 is correct: Intensive subsistence agriculture can be dominated by **wet paddy cultivation** or other crops such as **wheat, soybeans, barley, and sorghum**, depending on the variations in geographical factors.

Statement 2 is incorrect: As Intensive subsistence agriculture is **mainly found in densely populated regions,** Land holdings are very small for agricultural activities.

Statements 3 and 4 are correct: Farmers work with the help of family labour leading to intensive use of land. **Use of machinery is limited and most of the agricultural operations are done by manual labour**. Farm yard manure is used to maintain the fertility of the soil. In this type of agriculture, **the yield per unit area is high** but per labour productivity is low.

74. Solution: (c)

Exp) Option c is the correct answer.

Tea plants grow well in tropical and subtropical climates. It grows well in deep and fertile well-drained soil, rich in humus and organic matter.

India is the **second largest producer of tea** and accounts for about 28 per cent of total production in the world. Indian Assam, Darjeeling, and Nilgiri tea are considered one of the finest in the world.

Major tea producing states in India are Assam, West Bengal, Tamil Nadu, Karnataka and Kerala.

Option 1 is correct. West Bengal is the second largest tea producing state in India. The state contributes more than 25% of India's Tea Production.

Option 2 is correct. Assam is the largest tea producing state in India, accounting for over 50% of the country's total tea production. Assam is the single largest tea-growing region in the world.

Option 3 is correct. Kerala is the fourth largest tea producing state in India.

Option 4 is incorrect. Sikkim produces tea but is not a major producer. Sikkim produces certain varieties of black tea, white tea, green tea, and Oolong tea.

Important Tips

- Tea leaves have a rich content of caffeine and tannin.
- Black tea leaves are fermented whereas green tea leaves are unfermented.
- Tea cultivation is an example of plantation agriculture.
- Assam accounts for about 53.2 per cent of the total cropped area and contributes more than half of total production of tea in the country. West Bengal and Tamil Nadu are the other leading producers of tea.
- Climate and soil type:
- The tea plant grows well in tropical and sub-tropical climates endowed with deep and fertile well-drained soil, rich in humus and organic matter.
- Tea bushes require a warm and moist frost-free climate all through the year.
- Frequent showers evenly distributed over the year ensure continuous growth of tender leaves.

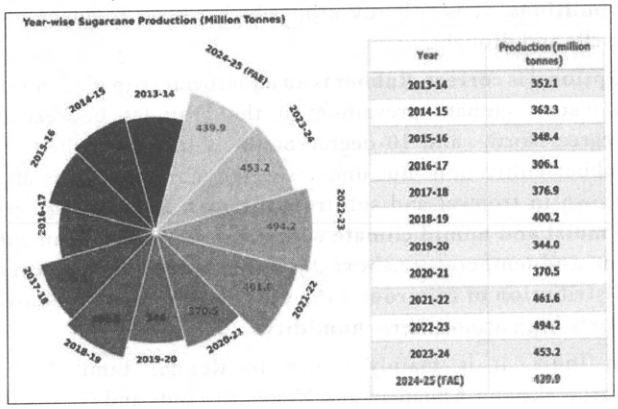
75. Solution: (b)

Exp) Option b is the correct answer.

Sugarcane is a crop of tropical areas. It is the main source of sugar, gur (jaggary), khandsari and molasses. It grows well in hot and humid climates with a temperature of 21°C to 27°C and an annual rainfall between 75cm and 100cm. Under rainfed conditions, it is cultivated in sub-humid and humid climates. Uttar Pradesh, Maharashtra, Karnataka, and Tamil Nadu, are the leading producers of this crop.

Statement 1 is incorrect. The total annual sugarcane production was 344 Million Tonnes (MT) in 2019-20; 370.5 MT in 2020-21; 461.6 MT in 2021-22; **494.2 MT in 2022-23; and 453.2 in 2023-24.**

So we can say that total annual sugarcane production has **not consistently increased during the last five years.**



Statement 2 is correct. The per hectare yield level of sugarcane is higher in peninsular India compared to northern India. This is primarily due to the fact that peninsular states have a more tropical climate with longer sunshine hours, higher temperatures, and well-distributed rainfall, which are ideal for sugarcane growth. Sugarcane yield and sugar recovery from the cane in the South is considerably higher than the North.

Statement 3 is incorrect. Uttar Pradesh is the largest sugarcane producing state in India. Uttar Pradesh produces about two-fifths of sugarcane of the country. It is followed by Maharashtra and Karnataka.

State wise Production of Sugarcane in country during 2018-19 to 2023-24

(Production in million tonnes)

S.No	States / UT	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24*	Average (2018-19 to 2022-23)	% to total	Rank
1	Uttar Pradesh	179.71	179.54	177.67	179.17	224.25	205.63	188.07	44.67	1st
2	Maharashtra	89.77	69.31	101.60	116.08	123.97	105.99	100.15	23.79	2nd
3	Karnataka	42.41	38.18	42.09	61.15	59.35	53.20	48.63	11.55	3rd
4	Tamil Nadu	17.14	14.12	12.80	16.17	17.66	14.41	15.58	3.70	4th
5	Gujarat	11.33	11.57	15.85	17.46	13.46	13.36	13.93	3.31	5th
6	Bihar	20.12	13.58	10.71	12.03	12.74	11.39	13.84	3.29	6th
7	Haryana	8.51	7.73	8.53	8.82	8.86	7.46	8.49	2.02	7th
8	Punjab	7.77	7.30	7.49	7.13	7.51	7.99	7.44	1.77	8th
9	Madhya Pradesh	5.28	7.43	5.88	5.38	6.44	7.14	6.08	1.44	9th
10	Uttarakhand	6.33	6.94	6.96	3.52	3.76	8.90	5.50	1.31	10th
11	Andhra Pradesh	8.09	6.72	4.12	3.65	2.96	2.10	5.11	1.21	11th
12	Telangana	3.18	2.01	1.36	2.87	2.94	2.32	2.47	0.59	12th
13	West Bengal	1.34	1.53	1.56	1.59	1.44	1.30	1.49	0.35	13th
14	Others	4.45	4.53	2.64	4.42	5.19	5.24	4.24	1.01	
	All India	405.42	370.50	399.26	439.43	490.53	446.43	421.02	100.00	

#Source - E&S, DAC - *2nd Adv.Est.-2023-24

Statement 4 is correct. Brazil is the largest producer of sugarcane in the world with more than 700 million tones of sugarcane. **India ranks second after Brazil in terms of sugarcane production.**

76. Solution: (d)

Exp) Option d is the correct answer.

Option a is incorrect. Cotton is a tropical crop grown in kharif season **in semi-arid areas of the country. Cotton requires a clear sky during the flowering stage.** It requires high temperature, **light rainfall or irrigation,** 210 frost-free days and bright sun-shines for its growth.

Option b is incorrect. Gram is cultivated in subtropical areas. It is mostly a rainfed crop cultivated during rabi season. **Just one or two light showers or irrigations are required** to grow this crop successfully. Gram requires a cool climate for growth.

Option c is incorrect. Bajra is sown in hot and dry climatic conditions. It is a hardy crop which resists frequent dry spells and drought.

Option d is correct. Rubber is an equatorial crop. Equatorial monsoon climate prevailing in the latitudes between 8 degree North and 10 degree South is the best suited for rubber cultivation. But under special conditions, it is also grown in tropical and sub-tropical areas. **Rubber requires a moist and humid climate with rainfall of more than 200 cm. and temperature above 25°C. There should be an even distribution of rain round the year. Rubber plants require fairly high atmospheric humidity.**

In India, it is mainly grown in Kerala, Tamil Nadu, Karnataka and Andaman and Nicobar islands and Garo hills of Meghalaya.

77. Solution: (c)

Exp) Option c is the correct answer.

Option c is correct: Gross cropped area represents the total area sown once and/or more than once in a particular year, i.e. the area is counted as many times as there are sowings in a year. This total area is known as gross cropped area. Net area sown represents the total area sown with crops and orchards. The area sowed more than once in the same year is counted only once. **If in a given year, the gross cropped area is greater than the net area sown, it means the same portion of land is being used to grow multiple crops within the same agricultural year.** This is referred to as 'area sown more than once'.

78. Solution: (a)

Exp) Option a is the correct answer.

As per the Land Use Statistics 2021-22, the geographical area of our country is 328.7 million hectares, of which around 54.8% is agricultural land, 141.00 million hectares is the reported net sown area and 219.158 million hectares is the gross cropped area with a cropping intensity of 155.4%.

The correct chronological order of given crops as per their area under cultivation from high to low during the year 2022-23 was **Oilseeds – Pulses – Coarse cereals - Sugarcane.**

1. The **Oilseed crop area under cultivation was about 302.39 lakh hectares** during the year 2022-23. Drylands of Malwa plateau, Marathwada, Gujarat, Rajasthan, Telangana, Rayalaseema region of Andhra Pradesh and Karnataka plateau are oilseeds growing regions of India. Groundnut, rapeseed and mustard, soyabean and sunflower are the main oilseed crops grown in India.
2. **Pulses** are legume crops that increase the natural fertility of soils through nitrogen fixation. India is the leading producer of pulses accounting for 25% of global production. It is also the largest consumer with 27% of world consumption and a significant importer representing 14% of global imports. **Pulses area under cultivation was about 289 lakh hectares** during the year 2022-23 in the country. Gram and tur are the main pulses cultivated in India.
3. The **Coarse cereals area under cultivation was about 240.70 lakh hectares** during the year 2022-23 in the country. India produces a variety of cereals, which are classified as fine grains (rice, wheat) and coarse grains (jowar, bajra, maize, ragi), etc.
4. **Sugarcane** is a crop of tropical areas. **India** is the second largest sugar producer in the world, after Brazil. It accounts for about 20 per cent of the global production of sugar. But the sugarcane area **under cultivation was only about 58.85 lakh hectares** during the year 2022-23. Uttar Pradesh produces about two-fifth of the sugarcane of the country. Maharashtra, Karnataka, Tamil Nadu, and Andhra Pradesh are other leading producers of this crop.

Area production and yield of major Crops

Crops	Area (Lakh hectare)			Production (Lakh Tonnes)			Yield (kg/hectare)		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
Rice	437.69	462.79	478.32	1243.68	1294.71	1357.55	2717	2798	2838
Wheat	311.25	304.59	314.01	1095.86	1077.42	1105.54	3521	3537	3521
Nutri / Coarse cereals	241.10	227.00	240.70	513.74	511.01	573.19	2128	2251	2381
Pulses	287.83	307.51	289.00	254.63	273.02	260.58	885	888	902
Foodgrains	1297.95	1301.69	1322.04	3107.42	3156.16	3296.87	2394	2425	2494
Oilseeds	298.33	289.45	302.39	359.46	379.63	413.55	1247	1312	1368
Sugarcane	48.51	51.73	58.85	4053.99	4394.25	4905.33	83566	84966	83340
Cotton@	132.86	123.72	129.27	352.46	311.18	336.60	451	428	443
Jute & Mesta#	6.62	6.67	6.58	93.55	101.49	93.92	2542	2738	2569

79. Solution: (a)

Exp) Option a is the correct answer.

Statement-I is correct: India is one of the leading producers of millets in the world with an estimated share of around 41 percent in the global production. **Rajasthan is the leading**

producer of Bajra in the country followed by Uttar Pradesh, Gujarat, Madhya Pradesh and Haryana.

Statement-II is correct and is the correct explanation of Statement-I: Bajra is sown in hot and dry climatic conditions in north-western and western parts of the country. It is a hardy crop that resists frequent dry spells and drought in the country.

Statement-III is correct and is the correct explanation of Statement-I: Bajra has a wide adaptability as it may grow under different day lengths, temperature and moisture stress. It requires low annual rainfall ranging between 40-50 cm and dry weather. The crop may tolerate drought but cannot withstand high rainfall of 90 cm or above. **Light soils of low inherent fertility, good drainage, and mild salinity are the best types for this crop.** Crop does not tolerate soil acidity. **Rajasthan has predominantly sandy soils,** which are considered **ideal for growing Bajra** due to its ability to thrive in well-drained, sandy conditions and tolerate arid climates.

80. Solution: (b)

Exp) option b is the correct answer.

Cotton is one of the most important cash crops in India. It supports a large number of farmers and also feeds into India's massive textile industry. The country's unique climate and farming practices allow it to play a major role in the global cotton economy.

Statement 1 is incorrect. India is the second largest (not largest) producer of cotton in the world. China is the leading producer of cotton with 56.00 lakh tones equivalent to 329 lakh bales of 170 kg. India is the second largest producer of cotton with 53.85 lakh tones equivalent to 316 lakh bales of 170 kg followed by Brazil (33.00lakh tones or 194 lakh bales) and; the USA (27.07 lakh tones, or 159 lakh bales).

Statement 2 is correct. India leads globally in cotton acreage, with 130.61 lakh hectares under cultivation, **representing around 40% of the world's total cotton cultivation** area of 324.16 lakh hectares.

Statement 3 is correct. A large part of cotton cultivation in India depends on **monsoon rains**, especially in states like Maharashtra, Telangana, and Madhya Pradesh. **Approximately 67% of India's cotton cultivation relies on rain-fed conditions, while the remaining 33% is grown in irrigated areas.**

Statement 4 is correct. India uniquely cultivates all four species of cultivated cotton: **Gossypium arboreum** and **Gossypium herbaceum** (Asian cotton), **Gossypium barbadense** (Egyptian cotton), and **Gossypium hirsutum** (American Upland cotton).

81. Solution: (b)

Exp) Option b is the correct answer.

Cassava, also known as Yuca or Manioc, is a root vegetable that serves as a staple food for nearly a billion people worldwide. **Due to its widespread cultivation and significance in tropical regions, it is often referred to as the "bread of the tropics."**

Cassava has gained global attention not just as a food source but also for its potential in **sustainable industries**. It can be used to produce **bioplastics**, as seen in Nagaland, where cassava starch is utilized for making compostable plastic bags. Additionally, cassava is a key raw material in **biofuel production**, as its starch-rich roots can be converted into ethanol, providing an alternative to fossil fuels.

82. Solution: (d)

Exp) Option d is the correct answer.

Water conservation measure is an action, technology, or improved design or process implemented to reduce water loss, waste or overuse.

Option 1 is correct. Cover crops, like legumes, grasses, or clovers help slow down surface runoff, preventing water from flowing off the land too quickly and carrying away valuable nutrients and soil. The extensive root systems of cover crops also promote water infiltration, meaning more water can soak into the soil instead of running off.

Option 2 is correct. Crop rotation can help conserve water. Alternating between water-demanding and drought-tolerant crops allows the soil to replenish moisture levels during periods of lower water demand, potentially reducing the need for irrigation.

Option 3 is correct. Zero tillage, also known as no-till farming, helps conserve water by minimizing soil evaporation, improving water infiltration, and reducing runoff, ultimately leading to better water retention in the soil.

Option 4 is correct. Contour farming involves planting crops and tilling the land across the slope, rather than up and down, creating natural barriers that slow down the flow of rainwater. By reducing the speed and volume of runoff, contour farming allows more time for rainwater to soak into the soil, increasing water infiltration and improving soil moisture levels.

83. Solution: (b)

Exp) option b is the correct answer.

Coffee is one of the most important plantation crops in India. It is mainly grown in the southern states, especially in the hilly tracts of the Western Ghats. The climate and topography of these regions make them ideal for coffee cultivation.

Statement 1 is incorrect. India **ranks seventh** in global coffee production. Countries like **Brazil, Vietnam, Colombia**, and a few others are ahead of India. India contributes only about **3.2%** of global coffee output.

Statement 2 is correct. Karnataka dominates India's coffee production. It alone produces more than **two-thirds of the total coffee** grown in the country. Other key states include Kerala and Tamil Nadu

Statement 3 is correct. Coffee thrives in a **tropical climate**, especially in highland areas with **well-distributed rainfall** (about 150-200 cm annually). It also needs **shade**, which is why coffee plantations often include shade trees. The Western Ghats provide these ideal conditions.

84. Solution: (b)

Exp) Option b is the correct answer.

Biofloc Technology is a modern aquaculture method designed to improve both **feed efficiency** and **water quality**. In this system, **microbes convert organic waste into protein-rich bioflocs**, which are then consumed by the cultured fish or shrimp. This not only minimizes feed requirements but also reduces the need for water exchange, making the system **economically viable and environmentally sustainable.**

Option a is incorrect. Recirculating Aquaculture System (RAS) is a **closed system** where water is **filtered and reused** again and again. It uses **mechanical and biological filters** to remove waste and maintain clean water. It allows **fish farming in tanks even in cities or indoors**, but it requires **high investment** and **technical knowledge**. It is great for places with **scarce water** or **controlled environment needs.**

Option c is incorrect. In the **Raceway Aquaculture System**, water flows continuously through **long, narrow raceway tanks**. The flow **brings in fresh oxygen and removes waste**, which helps fish grow well. It's used for species like **trout or carp** and requires a **constant water source** like a river or canal. It is simple but depends heavily on **large amounts of clean water.**

Option d is incorrect. Integrated Multi-Trophic Aquaculture (IMTA) combines **different types of aquatic species** in the same system. For example, **fish, shellfish**, and **seaweed** can be grown together. The **waste from one species** (like fish) becomes **food or nutrients for others** (like seaweed or shellfish). It mimics a natural ecosystem and **reduces waste**, making it **eco-friendly.**

85. Solution: (c)

Exp) Option c is the correct answer.

The Solanaceae, also known as the potato or deadly nightshade family, contains some of the world's most important food plants, such as the **potato, tomato, all peppers, ground cherries (tomatillo), and eggplant.** It also includes toxic plants like belladonna and **tobacco**.

1. **Tomato (Solanum lycopersicum)** is a **typical member of the Solanaceae family**. It shares many botanical characteristics with potato, including similar floral structures and fruit development patterns.
2. **Brinjal** or **Eggplant (Solanum melongena)** also belongs to the **Solanaceae family**. It is closely related to both tomato and potato and is commonly grown in similar agro-climatic conditions.
3. **Chilli:** Chilli is also a crucial crop in the Solanaceae family.

86. Solution: (d)

Exp) Option d is the correct answer.

Rubber is primarily an equatorial crop that thrives under specific climatic and soil conditions:

1. It requires **deep and lateritic fertile soil** with an acidic pH of 4.5 to 6.0 and highly deficient in available phosphorus.
2. Tropical climate with **annual rainfall of 2000 – 4500 mm** is suited for cultivation.
3. Minimum and maximum temperature should be **ranged from 25 to 34°C with 80% relative humidity** is ideal for cultivation.
4. Regions prone to heavy winds should be avoided.
5. The crop is typically cultivated at elevations **below 450 meters**, as higher altitudes may not provide the consistent warm temperatures required.

Option a is incorrect:

Tea plants generally thrive in moderate temperatures, ideally ranging between 13°C to 30°C. It requires a significant amount of rainfall around 1500 to 2500 millimetres. It is grown on hill slopes at elevations from 600 to 2,100 metres above sea level.

Option b is incorrect: coffee crop requires a hot and humid climate for its growth.

1. Temperatures ranging between 15°C and 28 °C
2. Rainfall: 150 to 250 cm.
3. It is grown on hill slopes at elevations from 600 to 1,600 metres above sea level.

Option c is incorrect: Climatic Conditions for Cardamom crop:

1. Rainfall: 1500–4000 mm annually.
2. Temperature: 10°C to 35°C.
3 Altitude: 600–1500 meters above sea level

87. Solution: (a)

Exp) Option a is the correct answer.

Pair 1 is incorrect: According to the Ministry of Agriculture's final estimates of major agriculture crops during 2023-24 mentioned in **Economic Survey 2024-25, Telangana became the largest rice-producing state in India** with 168.75 lakh metric tonnes (LMT). The total rice production in India was 1378.25 LMT of which Telangana's share was 168.75 LMT, a whopping 12.5% of total rice produced in India. Telangana is followed by Uttar Pradesh with 159.9 LMT, West Bengal with 156.87 LMT, Punjab with 143.56 LMT and Chhattisgarh with 97.03 LMT.

Pair 2 is correct: Uttar Pradesh is the largest wheat-producing state in India as per Economic Survey 2024-25, with 35.34 million tonnes followed by Madhya Pradesh (22.58 million tonnes) and Punjab (17.74). Five states - Uttar Pradesh, Madhya Pradesh, Punjab, Haryana and Rajasthan - account for 91.6% of the total national production of wheat.

Pair 3 is incorrect: Gujarat is the largest producer of cotton amongst all States in India accounting for the production of 9.06 million bales of cotton as per Economic Survey Survey 2024-25. It is **followed by Maharashtra** with 8.05 million bales **and Telangana** with 5.08 million bales. Together **Gujarat, Maharashtra and Telangana produce about 65% of cotton production in the country.**

Pair 4 is incorrect: Karnataka is the largest producer of Tur with 1.02 million tonnes as per Economic Survey 2024-

25 followed by Maharashtra and at the 3rd position is Uttar Pradesh.

Pair 5 is correct: Gujarat is the leading producer of groundnut production in the country with 4.64 million tonnes of production as mentioned in Economic Survey 2024-25. Rajasthan ranks second in groundnut production (2.03 million tonnes). It is followed by Madhya Pradesh with .98 million tonnes of production.

88. Solution: (c)

Exp) Option c is the correct answer.

All the options are correct. Agricultural Land/Total Culturable Land /Total Cultivable Area/Total Arable land **consists of net area sown, current fallows, fallow lands other than current fallows, culturable waste land and land under miscellaneous tree crops.**

Option 1 is correct. Land under Miscellaneous Tree Crops, includes all cultivable land which is not included in 'Net area sown' but is put to some agricultural uses. Lands under Casurina trees, thatching grasses, bamboo bushes and other groves for fuel, etc. which are not included under 'Orchards' should be classed under this category. **Land under Miscellaneous Tree Crops is counted under total Arable land.**

Option 2 is correct. Current Fallows represents cropped area, which is kept fallow during the current year. **Land under** Current Fallows **is counted under total Arable land.**

Option 3 is correct. Culturable Waste Land includes land available for cultivation, but not cultivated during the last five years or more in succession including the current year for some reason or the other. Such land may be either fallow or covered with shrubs and jungles, which are not put to any use.

Culturable Waste Land is counted under total Arable land.

89. Solution: (b)

Exp) Option b is the correct answer.

India is the **largest producer, consumer, and exporter** of turmeric in the world. India accounts for over **75% of global turmeric production**. India has **more than 62% share of world trade** in turmeric. The leading export markets for Indian Turmeric are **Bangladesh, UAE, USA and Malaysia**. There is significant potential and interest worldwide in the **health and wellness benefits** of turmeric. Recently, the Government has established the **National Turmeric Board** which reflects a strategic initiative aimed at elevating India's position in the global turmeric market.

Among the listed Indian states, **Telangana (28.09%) and Maharashtra (22.34%) emerge as prominent turmeric-producing states**, making substantial contributions to India's overall turmeric production. Other major turmeric producing states are **Karnataka (11.14%) and Tamil Nadu (8.13%).** Himachal Pradesh (0.02%) and Tripura (0.46%) do not command the same prominence in turmeric production. Himachal Pradesh's cooler climate and mountainous terrain limit turmeric cultivation, while turmeric cultivation may occur in certain areas of Tripura, it does not hold the same status as Maharashtra and Tamil Nadu in terms of production volume.

Indian Production of Turmeric

Production(000 Tonnes)

		2021-22	
Sr No.	**State**	**Production**	**Share(%)**
1	Telangana	330.26	28.09
2	Maharashtra	262.61	22.34
3	Karnataka	130.97	11.14
4	Tamil Nadu	95.57	8.13
5	Andhra Pradesh	74.69	6.35
6	Madhya Pradesh	68.85	5.86
7	West Bengal	45.90	3.90
8	Orissa	43.61	3.71
9	Mizoram	29.57	2.52
10	Assam	20.88	1.78
	Page **Total**	1,102.91	

Important Tips

National Turmeric Board

The Board shall have a

1. **Chairperson** to be appointed by the Central Government,
2. Members from the **Ministry of AYUSH, Departments of Pharmaceuticals, Agriculture & Farmers Welfare, Commerce & Industry** of the Union Government,
3. **Senior State Government representatives from three states (on rotation basis),**
4. Members from select **national/state institutions** involved in research,
5. Representatives of **turmeric farmers and exporters,**
6. A **Secretary to be appointed by the Department of Commerce.**

Focus Areas:

1. Awareness and Consumption Promotion
2. Market Development and Export Promotion
3. Research and Development
4. Traditional Knowledge Utilization
5. Capacity Building and Skill Development
6. Quality Standards and Food Safety Assurance

7.3. Food Processing

90. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: Fishery Survey of India (FSI) functions under the **Ministry of Fisheries, Animal Husbandry & Dairying**, not the **Ministry of Agriculture and Farmers Welfare.**

Statement 2 is correct: FSI is responsible for the survey and assessment of fishery resources in the Indian EEZ (Exclusive Economic Zone) and adjoining areas. This includes marine fisheries research, stock assessment, and exploratory surveys.

Statement 3 is incorrect: The nodal agency for the implementation of Pradhan Mantri Matsya Sampada Yojana (PMMSY) is the National Fisheries Development board (NFDB) under the Department of Fisheries, Ministry of Fisheries, Animal Husbandry & Dairying. FSI is not directly responsible for its implementation.

91. Solution: (a)

Exp) option a is the correct answer.

Statement a is correct. Cobweb cycle / phenomenon refers to a phenomenon where the **prices of certain goods witness fluctuations that are cyclical in nature.** It happens due to faulty producer expectations.

The producers of agricultural goods, for instance, might decide to increase their output one year because their product commanded a very high price the previous year. This, however, might lead to overproduction and cause prices to slump that year, thus leading to losses.

Such cyclical price fluctuations are more severe in markets where speculators are banned from hoarding goods to sell them later at a higher price.

Statement b is incorrect. Cobweb cycle / phenomenon **do not** refer to refers to the periodic rise and fall of some agricultural commodities due to their scarce production.

Statement c is incorrect. Agflation describes the phenomenon when food prices rise more rapidly than the prices of other goods and services, due to the growing demand for crops as both food and for use in biofuels.

Statement d is incorrect. Cobweb cycle / phenomenon **do not** refer to a cycle of price rise of all agriculture commodities during Stagflation.

92. Solution: (b)

Exp) option b is the correct answer.

India's fisheries sector plays a significant role in the country's economy, providing employment and contributing to food security.

Statement 1 is incorrect. India is the second-largest and not the largest producer of fish production and aquaculture. India's share is around 8% in global fish production and is also one of the top shrimp producing and seafood exporting nations in the world.

Statement 2 is correct. From 2018-2019, the Kisan Credit Card (KCC) scheme has been extended to include fishers and fish farmers. KCC aims to provide fish farmers with access to institutional credit for their working capital needs. Accordingly, as of 31 March 2024, 1.24 lakh KCC are being issued to fishers and fish farmers.

Statement 3 is incorrect. The **Union Budget 2018, made provisions for setting up of a Fisheries and Aquaculture Infrastructure Development Fund (FIDF)** for the fisheries sector. Accordingly, during 2018-19, a dedicated fund, FIDF was created with a total funds size of Rs 7522.48 crore. **FIDF is aimed to intensify development of various fisheries infrastructures.**

93. Solution: (b)

Exp) Option b is the correct answer.

National Fisheries Development Board (NFDB) was established in 2006 to enhance fish production and productivity in the country and coordinate fishery development in an integrated and holistic manner.

Statement 1 is incorrect: The National Fisheries Development Board (NFDB) is an autonomous organization under the Department of Fisheries, Ministry of Fisheries, Animal Husbandry and Dairying, Government of India.

Statement 2 is correct: NFDB aims to provide technical guidance, marketing assistance, and financial support to fisheries-related activities. It also focuses on promoting women's participation in the fisheries sector to generate substantial employment opportunities.

Statement 3 is correct: NFDB is the implementing agency of the Fisheries and Aquaculture Infrastructural Development Fund (FIDF). The fund aims to create fisheries infrastructure facilities in both the marine and inland fisheries sectors to achieve a target of 15 million tonnes of fish production by 2020 under the Blue Revolution. Additionally, the FIDF seeks to achieve a sustainable growth rate of 8-9% to increase the country's fish production to around 20 million tonnes by 2022-23.

94. Solution: (c)

Exp) Option c is the correct answer.

The fisheries sector of India is a significant contributor to the economy, food security, nutrition, and employment of the country. The fisheries sector is recognized as the 'Sunrise Sector' and is instrumental in sustaining the livelihoods of around 30 million people in India particularly that of the marginalized and vulnerable communities.

Statement 1 is incorrect: As per the data available at the Ministry of Fisheries, Animal Husbandry and Dairying, India is the **third largest fish-producing** and second largest aquaculture-producing nation in the world, accounting for 8% of global production. China is the largest fish producer with 35.4% of global production, followed by Indonesia with 9.4%. India ranks second in aquaculture production, which is a subset of fish production that involves cultivating fish in controlled environments.

Statement 2 is correct: According to the Ministry of Fisheries, Animal Husbandry and Dairying, the inland fisheries, which include freshwater and brackish water fish culture, **contribute 75% of the total fish production in FY 2021-22.** Marine fisheries, which involve fishing in the sea and ocean, contribute 25% of the total fish production in the same period. Inland fisheries have shown a higher growth rate than marine fisheries due to factors such as availability of land and water resources, diversification of species and systems, adoption of improved technologies, etc.

Statement 3 is correct: Kisan Credit Card scheme, which aims to provide adequate and timely credit support to farmers for their agricultural operations, has been extended to fisheries and animal husbandry farmers in 2018-19. The scheme provides interest subvention and prompt repayment incentive to the farmers, making the credit available at a subsidized rate of 4% per annum.

Statement 4 is correct: Pradhan Mantri Matsya Sampada Yojana is a flagship scheme for focused and sustainable development of the fisheries sector in the country with an

estimated investment of 20,050 crore for its implementation during 2020-21 to 2024-25 as part of Aatmanirbhar Bharat package.

Pradhan Mantri Matsya Sampada Yojana (PMMSY) **provides insurance coverage to fishers which includes fish workers, fish farmers and any other categories of persons directly involved in fishing and fisheries related allied activities.**

95. Solution: (d)

Exp) Option d is the correct answer.

The food processing sector encompasses a wide range of activities involved in converting raw agricultural products into consumable food items. It's a crucial part of the food supply chain, adding value to raw materials, extending shelf life, and providing convenience to consumers.

Option 1 is correct. The Government of India has indeed allowed 100% foreign direct investment (FDI) approval under automatic route in the food processing industry to promote investment and modernization in the sector.

Option 2 is correct. In order to promote the food processing industries in India, the **Food Safety and Standards Authority of India (FSSAI)** has introduced **changes in its clearance procedure** to streamline the approval process for food products, **shifting from product-specific approval to an ingredient and additive-based approval system.**

Option 3 is correct. The government launched the Pradhan Mantri Kisan Sampada Yojana (PMKSY), aimed at creating modern infrastructure with efficient supply chain management from farm gate to retail outlet. Hence, it aims to promote food processing industries in India.

Option 4 is correct. Priority Sector Lending (PSL) allows certain industries to have access to finance. **According to the RBI's Master Directions of September 4, 2020, all food and agro-processing operations are eligible for Priority Sector Lending (PSL). Banks offer loans for food and agro-processing up to ₹100 crore per borrower.**

96. Solution: (b)

Exp) Option b is the correct answer.

The National Dairy Development Board (NDDB) is a statutory body that promotes, plans, and organizes programs for the development of dairy and other agriculture and allied industries and biologicals. The NDDB was established on July 16, 1965, by Verghese Kurien.

Statement 1 is correct. The National Dairy Development Board (NDDB) was given statutory status under the National Dairy Development Board Act, 1987.

It was established in 1965. Before this act in 1987, it was registered under the Societies Registration Act, 1860. The 1987 Act formalized its status as a statutory body and declared it an institution of national importance.

Statement 2 is incorrect. The NDDB operates autonomously as a statutory body under the Ministry of Fisheries, Animal Husbandry, and Dairying, Government of India. It functions independently to formulate policies and implement programs for the development of the dairy sector.

Statement 3 is incorrect. While the NDDB plays a significant role in promoting dairy cooperatives and supporting dairy farmers, it does not directly set milk procurement prices. Milk procurement **prices are determined by dairy cooperatives and private dairy companies based on various factors such as market demand, production costs, and government policies.**

Statement 4 is correct: Dairy processing & Infrastructure Development Fund (DIDF) is established with NABARD. It aims to modernize the milk processing plants and machinery and to create additional infrastructure for processing more milk. **It is implemented by the National Dairy Development Board (NDDB) and National Cooperative Development Corporation (NCDC).**

97. Solution: (a)

Exp) option a is the correct answer,

Pressmud, also known as filter cake or press cake, is a **residual byproduct in the sugar industry.**

Statement I is correct. Pressmud, a residual byproduct of Sugar, as a valuable resource for green energy production by creating Compressed Biogas (CBG). Its utilization in energy production facilitates sustainability by minimizing waste and lowering greenhouse gas emissions. This renewable energy source contributes to fostering eco-friendly practices, supporting a cleaner and more sustainable energy landscape.

Statement II is correct, and it is the correct explanation for statement I : Pressmud presents Indian sugar mills with an opportunity to enhance revenue streams by employing it as a feedstock for biogas production via anaerobic digestion. This leads to the creation of Compressed Biogas (CBG), a renewable and eco-friendly gaseous fuel derived from organic material decomposition. CBG production, through bio-methanation or anaerobic digestion, involves the breakdown of various organic sources by bacteria in oxygen-deprived conditions. By utilizing pressmud in this process, sugar mills not only generate additional revenue but also contribute to sustainable energy practices, waste management, and reduced greenhouse gas emissions, fostering environmental and economic benefits.

7.4. Government Initiatives and International Agreements

98. Solution: (c)

Exp) option c is the correct answer.

Minimum Support Price (MSP) is an agricultural produce price, set by the Government of

India to purchase directly from the farmer. This is not enforceable by the law. By definition,

this rate is to safeguard the farmer to a minimum profit for the harvest, if the open market has

a lesser price than the cost incurred. MSP is fixed on the recommendations of the Commission

for Agricultural Costs and Prices (CACP), an attached office of the Ministry of Agriculture and

Farmers Welfare and announced before the sowing season.

The Government of India currently announces MSP for **23 major crops**. These include:

1. **5 Pulses:** Gram, **Arhar (Tur)**, Moong, Urad, and **Masur (Lentil)**
2. **7 Oilseeds:** Including **Rapeseed-Mustard**
3. **7 Cereals:** Including **Bajra (Pearl millet)**
4. **4 commercial crops:** including copra, sugarcane, cotton, and raw jute

Flaxseed is a plant-based food that contains fiber, antioxidants, and healthy fats commonly used to improve digestive health or relieve constipation. **However,it is not covered under MSP.**

99. Solution: (d)

Exp) Option d is the correct answer.

The Union government has introduced the PM Dhan Dhaanya Krishi Yojana, a new initiative **aimed at improving agricultural conditions in 100 districts that have low productivity, moderate crop intensity, and below-average access to credit.**

The scheme is likely to help nearly 1.7 crore farmers across these districts and help them improve their incomes and agriculture sustainability.

The scheme has been developed on the lines of Aspirational Districts Program and aims to uplift farmers in underdeveloped agricultural regions.

100. Solution: (a)

Exp) Option a is the correct answer.

The **Central Government** fixes **minimum support prices (MSPs) for 22 mandated agricultural crops** based on the recommendations of the **Commission for Agricultural Costs & Prices (CACP),** after considering the views of State Governments and Central Ministries/ Departments concerned.

Options 1 and 3 are correct: Procurement of pulses, oilseeds and copra by the Central Government **is done under the Price Support Scheme component** of **Pradhan Mantri Anna data AaySanrakshan Abhiyan (PM-AASHA),** in consultation with the concerned State Government as and when the market price of these produce fall below the MSP. The overall quantity of procurement by the Central Government will be restricted to 25% of All India production of the commodity for that particular season/year.

Procurement agencies under the PM-AASHA Scheme are the National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) and the National Co-operative Consumers' Federation of India Ltd. (NCCF).

Options 2 is incorrect: Cotton is procured by the Government at MSP through the Cotton Corporation of India (CCI). It is not covered under Price Support Scheme.

Options 4 and 5 are incorrect: Another component of PM AASHA is **Market Intervention Scheme (MIS)** meant for perishable agriculture/horticulture commodities such as **Tomato, Onion and Potato etc.** not covered under MSP. **These are not covered under the Price support scheme.**

101. Solution: (c)

Exp) Option c is the correct answer.

Agricultural subsidies can be broadly classified into direct subsidies and indirect subsidies:

1. Direct subsidies involve actual payments made to farmers, businesses, or individuals. The government directly transfers funds or provides financial aid to the beneficiary.
2. Indirect subsidies help lower the price of a particular commodity or service, making it more affordable for farmers.

Option 1 is correct: Fertilizer subsidies are indirect subsidies. The government subsidizes fertilizer companies, which then sell fertilizers to farmers at reduced prices..

Option 2 is correct: Interest rate subvention for crop loans examples of indirect subsidy. The government reduces the interest rate farmers pay on crop loans, effectively lowering their borrowing costs.

Option 3 is correct: Power subsidies for irrigation is an indirect subsidy. The government subsidizes electricity used for irrigation, reducing farmers' energy expenses.

Option 4 is incorrect: Direct cash transfers under PM-KISAN is a **direct subsidy** as farmers receive **cash directly into their bank accounts.**

102. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is correct: Codex Alimentarius Commission (CAC) was **founded in 1963** as a **joint initiative of the FAO and the WHO.** Its primary purpose is to develop international food standards, guidelines, and codes of practice to ensure food safety, quality, and fair trade practices globally.

Statement 2 is correct: The CAC plays a key role in **establishing global food standards related to food safety, quality, labeling, and hygiene.** These standards are used as benchmarks by countries to regulate food production, processing, and marketing, ensuring consumer protection and facilitating international trade.

103. Solution: (b)

Exp) Option b is the correct answer.

The Peace Clause, agreed upon during the Bali Ministerial Conference (2013) of the WTO, provides a temporary reprieve to developing countries from facing legal challenges at the WTO Dispute Settlement Body for breaching the prescribed ceiling on food subsidies under the Agreement on Agriculture.

Under WTO rules, a member's **food subsidy bill** should not **exceed 10%** of the **value of agricultural production,** calculated using **1986–88 reference prices.** However, this formula has been criticized as outdated and unfair, especially by countries like **India,** which implement large-scale **public stockholding programmes** for food security.

104. Solution: (b)

Exp) Option b is the correct answer.

MSP is announced **before the sowing season** based on the recommendations of the **Commission for Agricultural Costs and Prices (CACP).**

The CACP calculates following types of production costs:

1. 'A2': Covers all paid-out costs directly incurred by the farmer in cash and kind on seeds, fertilisers, pesticides, **hired labour**, leased-in land, fuel, irrigation, etc.
2. 'FL': Includes A2 plus an **imputed value of unpaid family labour**.

CACP presently considers A2+FL as the cost of production and sets MSP at 1.5 times of it.

The National Commission on Farmers, chaired by agricultural scientist M S Swaminathan, recommended that the MSP should be 1.5 times the farmers' input costs. For the calculation of input costs, however, the Swaminathan Commission laid down a different formula. Along with the paid-out cost (A2) and the imputed value of family labour (FL), also included the interest on the **value of owned capital assets**, rent paid for leased-in land, or the **rental value of owned land** (C2).

However, presently the C2 is not being considered while calculating MSP.

105. Solution: (a)

Exp) Option a is the correct answer.

The **Food Corporation of India (FCI)** plays a pivotal role in ensuring **food security** in India. Established as a **statutory body** in **1965**, FCI is one of the largest supply chain management organizations in Asia.

Statement a is correct: FCI is a **Public Sector Undertaking (PSU)** under the **Ministry of Consumer Affairs, Food and Public Distribution**. It is responsible for **procurement of foodgrains at MSP**, **storage**, **transportation**, and **distribution** through PDS. It ensures **price stability** and maintains **buffer stocks** to handle supply shocks due to natural calamities or other disruptions.

Statement b is incorrect: FCI was established **not under the Essential Commodities Act, 1955**, but under the **Food Corporations Act, 1964**, specifically enacted to create the corporation and define its functions and responsibilities. The Essential Commodities Act deals with controlling the production, supply, and distribution of essential commodities.

Statement c is incorrect: The responsibility of determining the **minimum buffer stock norms** lies with the **Cabinet Committee on Economic Affairs (CCEA)**, chaired by the **Prime Minister**. FCI merely implements these decisions by maintaining operational and strategic reserves as per the prescribed norms.

Statement d is incorrect: The **licensing of Fair Price Shops (FPS)** is handled by the **respective state governments**, not by FCI. FCI's role ends at the point of delivery to the states; from there, the **Targeted Public Distribution System (TPDS)** is managed by states, which includes issuing FPS licences.

106. Solution: (b)

Exp) Option b is the correct answer.

Globally Important Agricultural Heritage Systems (GIAHS) are unique land use systems and landscapes that have rich biodiversity, resilient ecosystems, and valuable cultural heritages managed by farmers, herders, fisherfolk, and tribals. **They are identified by the Food and Agriculture Organisation of the United Nations. It leads the GIAHS programme**, which helps identify ways to mitigate threats faced by these systems and their people. Since 2005, FAO has designated 72 systems in 23 countries as agricultural heritage sites. Three sites in India have been granted this recognition:

1. Pampore Saffron Heritage, Jammu & Kashmir (2011)
2. Koraput Traditional Agriculture, Odisha (2012)
3. Kuttanad Below Sea Level Farming System, Kerala (2013)

107. Solution: (b)

Exp) Option b is the correct answer.

The Government of India launched the Pradhan Mantri Kisan Maan Dhan Yojana (PM-KMY) with a view to provide social security to Small and Marginal Farmers in their old age when they have no means of livelihood and minimal or no savings to take care of their expenses.

Statement 1 is correct. Each subscriber to the scheme is guaranteed a minimum pension of Rs. 3000 per month upon reaching the age of 60 years. If a subscriber passes away while receiving their pension, their spouse will be entitled to a family pension equal to 50% of the amount the subscriber was receiving i.e. Rs.1500 per month as Family Pension. This is only applicable if the spouse is not already a beneficiary of the scheme. The family pension benefit is exclusively for the spouse.

Statement 2 is incorrect: Two primary criteria have been provided to identify the beneficiaries under the scheme. To be eligible for the scheme:

1. a farmer needs to be a Small and Marginal Farmer (SMF) (farmer who owns cultivable land up to 2 hectare as per land records of the concerned State/UT.)

2. farmers must be in the age group of 18- 40 years.

Hence, the farmers who fail to meet the above criteria will not be eligible for the scheme.

Statement 3 is correct. The Central Government, through the Department of Agriculture Cooperation and Farmers Welfare, also contributes an equal amount as contributed by the eligible subscriber, to the pension fund. Monthly contributions are in the range from Rs. 55 to Rs. 200, based on the farmer's age at the time of entry into the Scheme.

Important Tips

The following categories of farmers have been brought under the exclusion criteria:

1. SMFs covered under any other statutory social security schemes such as National Pension Scheme (NPS), Employees' State Insurance Corporation scheme, Employees' Fund Organization Scheme etc.
2. Farmers who have opted for Pradhan Mantri Shram Yogi Maan Dhan Yojana (PM-SYM) administered by the Ministry of Labour & Employment
3. Farmers who have opted for Pradhan Mantri Laghu Vyapari Maan-dhan Yojana (PM-LVM) administered by the Ministry of Labour & Employment
4. All Institutional Land holders; and
5. Former and present holders of constitutional posts etc

108. Solution: (d)

Exp) Option d is the correct answer.

The Agriculture Infrastructure Fund Scheme was launched to attract investments for the development of agricultural infrastructure, with a total allocation of Rs 1 lakh crore to be distributed through banks and financial institutions until 2025-26.

Statement 1 is correct. The Agriculture Infrastructure Fund Scheme is a central-sector scheme of the Government of India. The scheme shall provide a medium - long term debt financing facility for investment in viable projects for post-harvest management Infrastructure and community farming assets through interest subvention and financial support.

Statement 2 is correct. With Credit Guarantee, incentive and interest subvention **lending institutions will be able to lend with a lower risk.** This scheme will help to enlarge their customer base and diversification of portfolio.

Statement 3 is correct. All Scheduled Commercial Banks, Small Finance Banks, Regional Rural Banks, Scheduled Co-operative Banks, **Non-Banking Financial Companies** and National Cooperative Development Corporation **may participate to provide this financing facility, after signing of Memorandum of Understanding (MoU) with National Bank for Agriculture & Rural Development (NABARD)/ DA&FW.**

Important Tips

All loans under this financing facility will have interest subvention of 3% per annum up to a limit of Rs. 2 crores. This subvention will be available for a maximum period of seven years.

1. **Credit guarantee coverage will be available for eligible borrowers from this financing facility under Credit Guarantee Fund Trust for Micro and Small Enterprises** (CGTMSE) **scheme for a loan up to Rs. 2 crores.** The fee for this coverage will be paid by the Government.
2. In case of Farmer Producer Organisations (FPOs) the credit guarantee may be availed from the facility created under FPO promotion scheme of Department of Agriculture, Cooperation & Farmers Welfare (DACFW).
3. Moratorium for repayment under this financing facility may vary subject to minimum of 6 months and maximum of 2 years.

109. Solution: (d)

Exp) Option d is the correct answer.

Two-umbrella Schemes viz. Pradhan Mantri Rashtriya Krishi Vikas Yojana (PM-RKVY), a cafeteria scheme and Krishonnati Yojana (KY) includes all the Centrally Sponsored Schemes (CSS) operating under Ministry of Agriculture and Farmer's. PM-RKVY will promote sustainable agriculture, while KY will address food security & agricultural self-sufficiency.

Krishonnati Yojana is an Umbrella Scheme in the agriculture sector. It comprises **11 schemes** and missions under a single umbrella scheme.

Option 1 is correct. Mission for Integrated Development of Horticulture (MIDH) is one of the major missions under the Krishonnati Yojana (KY).It aims to:

1. Promote **holistic growth** of the horticulture sector including fruits, vegetables, spices, root & tuber crops.

2. Enhance **nutritional security** and income support through area expansion and post-harvest management.

3. Improve productivity and modernize horticultural practices.

Option 2 is correct. National e-Governance Plan in Agriculture (NeGP-A) is one of the important missions under KY. It aims to:

1. Enhance the reach & impact of extension services.
2. Improve access of farmers to information & services throughout the crop-cycle.
3. Enhance & Integrate the existing ICT initiatives of Centre and States
4. Enhance efficiency & effectiveness of programs through making available timely and relevant information to the farmers for increasing their agriculture productivity.

Option 3 is correct. National Food Security Mission (NFSM) is a core component of KY. It focuses on:

1. **Increasing production** of rice, wheat, pulses, coarse cereals, and commercial crops.
2. Enhancing **farm-level productivity**, restoring **soil health**, and **improving economic returns**.
3. Including oilseeds and oil palm development after **merger of NMOOP**.

Option 4 is correct. National Mission for Sustainable Agriculture (NMSA) is included under KY to promote:

1. **Sustainable farming** adapted to specific agro-climatic zones.

2. **Integrated farming systems**, efficient resource use, and **soil health.**
3. Adoption of **climate-resilient technologies.**

110. Solution: (d)

Exp) Option d is the correct answer.

The **Pradhan Mantri Kisan SAMPADA Yojana (PMKSY)** is a **Central Sector Scheme** launched in 2017 to promote agro-marine processing and agro-processing clusters.

Statement 1 is incorrect. The **Pradhan Mantri Kisan SAMPADA Yojana (PMKSY)** is a **Central Sector Scheme** and not a Centrally Sponsored Scheme under the **Ministry of Food Processing Industries (MoFPI)** aimed at **modernizing agro-processing**, reducing agri-waste, enhancing value addition, and developing agro-processing clusters.

Statement 2 is incorrect: Under PMKSY the following schemes are to be implemented.

- Integrated Cold Chain and Value Addition Infrastructure
- Creation/ Expansion of Food Processing and Preservation Capacities (Unit Scheme)
- Infrastructure for Agro-processing Clusters
- Food Safety and Quality Assurance Infrastructure
- Human Resources and Institutions –Research & Development
- Operation Greens

The earlier component schemes like Mega Food Park, Creation of Backward & Forward Linkages, Human Resource & Institution - Promotional Activities, Skill Development & HACCP, a component of Food Safety and Quality Assurance Infrastructure have been discontinued in the 15th Finance Commission cycle with the provision of committed liability.

Accordingly, Mega Food Park scheme has been discontinued w.e.f. 01.04.2021 with committed liabilities for the approved projects. Thus, there is no such announcement of new Mega food parks in each district of the country.

Statement 3 is incorrect. The **PMKSY is implemented by the Ministry of Food Processing Industries (MoFPI)**, not the Ministry of Agriculture & Farmers' Welfare.

111. Solution: (c)

Exp) option c is the correct answer.

The **Kisan Rin Portal (KRP)** was **launched in 2023** with the aim of **streamlining the processing of claims** under the **Modified Interest Subvention Scheme (MISS)** related to **Kisan Credit Card (KCC).** It is **poised to revolutionize access to credit services under the Kisan Credit Card (KCC).** It replaces manual submission of claims with a **fully digital process**, helping banks and cooperatives submit interest subvention and prompt repayment incentive claims more efficiently. The portal ensures **faster credit delivery to farmers** and improves transparency and accountability in agricultural credit schemes.

112. Solution: (b)

Exp) Option b is the correct answer

Row 1 is incorrect: NAFED is an apex organization under the **Ministry of Agriculture and Farmers Welfare, not the Ministry of Rural Development**. It was established to support farmers by ensuring fair prices for their produce. Its primary role involves procurement, storage, distribution, and marketing of agricultural commodities, particularly under the government's price support schemes.

Row 2 is correct: The Agricultural and Processed Food Products Export Development Authority (APEDA) **operates under the Ministry of Commerce and Industry**. It functions to promote the export and development of agricultural and processed food products in India, including monitoring sugar imports, setting standards, and providing financial assistance for exporters. A key function of APEDA is the **certification of organic agricultural products for export,** ensuring that Indian organic goods meet international standards.

Row 3 is correct: The Tribal Cooperative Marketing Development Federation of India (TRIFED), under the **Ministry of Tribal Affairs**, aims to promote socio-economic development of tribal people by **marketing their products and providing market access for tribal artisans**, including through the "TRIBES India" brand.

113. Solution: (c)

Exp) Option c is the correct answer.

The **National Mission on Edible Oils – Oilseeds** (NMEO-Oilseeds) is a significant initiative launched by the Indian government to **boost domestic oilseed production** and achieve **self-reliance** (Atmanirbhar Bharat) in edible oils.

The Union Cabinet, chaired by Prime Minister Narendra Modi, approved the mission in October, 2024, with a financial outlay of **Rs 10,103 crore**, which will be implemented over a **seven-year period from 2024-25 to 2030-31.**

Statement 1 is incorrect: The NMEO-Oilseeds aims to boost primary oilseed production from **39 million tonnes in 2022-23 to 69.7 million tonnes by 2030-31**. The mission **does not aim for 200 million tonnes.**

Statement 2 is correct: The NMEO-Oilseeds will indeed focus on **enhancing the production of key primary oilseed crops**, including **Rapeseed-Mustard, Groundnut, Soybean, Sunflower, and Sesamum.**

Additionally, the mission will also focus on increasing collection and extraction efficiency from secondary sources like Cottonseed, Rice Bran, and Tree Borne Oils.

Statement 3 is correct: One of the key strategies of NMEO-Oilseeds is to **expand oilseed cultivation by 40 lakh hectares** (4 million hectares) by **utilizing fallow lands, particularly rice and potato fallow areas** and other underutilized agricultural lands.

This approach aims to increase the area under oilseed cultivation without competing with other major crops like rice and potatoes. The mission also promotes intercropping and crop diversification.

114. Solution: (a)

Exp) Option a is the correct answer.

Pradhan Mantri Fasal Bima Yojana (PMFBY) was launched by the Government of India in 2016 to provide an affordable crop insurance product to ensure comprehensive risk cover for crops of farmers against all non-preventable natural risks from pre-sowing to post-harvest stage.

Statement 1 is correct: The **premium rates payable by the farmers is 2.0% for Kharif crop, 1.5% for Rabi crops and 5% for horticultural and commercial crops.**

The maximum premium payable by the farmer will be 2% for the Kharif food and oilseed crops. For rabi food and oilseeds crop, it is 1.5% and for yearly commercial or horticultural crops it will be 5%. The remaining premium is subsidized by the government. There is no upper limit on government subsidy.

Statement 2 is incorrect: The PMFBY scheme covers natural disasters (droughts, floods), pests, and diseases, **along with post-harvest losses due to local risks like hailstorms and landslides.** The Government provides for post-harvest losses on an individual farm basis. The Government offers coverage of up to 14 days (maximum) from harvesting for crops that are stored in "cut and spread" condition.

Statement 3 is incorrect: From Kharif 2020 season, **crop insurance has been made voluntary for all the farmers**. Prior to this, it was mandatory for loanee farmers but now they have a choice to participate.

115. Solution: (a)

Exp) Option a is the correct answer

The Commission for Agricultural Costs and Prices (CACP) is an advisory body under the Ministry of Agriculture and Farmers Welfare, Government of India. Established in 1965 as the Agricultural Prices Commission and renamed in 1985, its primary role is to recommend Minimum Support Prices (MSPs) for various agricultural commodities to ensure remunerative prices to farmers and incentivize the adoption of modern agricultural practices.

Statement 1 is incorrect: The **Commission for Agricultural Costs & Prices (CACP) is an attached office of the Ministry of Agriculture and Farmers Welfare, Government of India** (not Ministry of Consumer Affairs, Food and Public distribution).

Statement 2 is correct: The Commission for Agricultural Costs and Prices (CACP) recommends the Fair and Remunerative Price (FRP) of sugarcane to the Cabinet Committee on Economic Affairs (CCEA). The FRP is a price that the government fixes for sugarcane, taking into account factors like the cost of production, market conditions, and fair returns for farmers.

Statement 3 is incorrect: Commission for Agricultural Costs and Prices (CACP) **does not directly determine the selling prices of fertilizers in India,** but instead, it recommends Minimum Support Prices (MSPs) for 23 agricultural crops. Assurance of a remunerative and stable price environment is considered very important for increasing agricultural production and productivity since the market place for agricultural produce tends to be inherently unstable, which often inflict undue losses on the growers, even when they adopt the best available technology package and produce efficiently.

116. Solution: (b)

Exp) Option b is the correct answer.

The National Programme for Organic Production (NPOP) is a pivotal initiative by the Government of India, aiming to establish and promote standards for organic products, ensuring their credibility in both domestic and international markets.

Statement 1 is incorrect: The National Programme for Organic Production (NPOP) is implemented by APEDA (Agricultural and Processed Food Products Export Development Authority), which is under the **Ministry of Commerce & Industry, Government of India.**

At present in India, two types of certification systems exist namely 1. Third Party certification(NPOP) system which is governed by APEDA, Ministry of Commerce which is mainly focused for export purposes and 2. PGS-INDIA certification system which is governed by the Ministry of Agriculture and Farmers Welfare mainly focused for local/ domestic market purposes.

Statement 2 is correct: National Programme for Organic Production (NPOP) involves the accreditation of Certification Bodies, standards for organic production, promotion of organic farming and marketing etc.

The NPOP standards for production and accreditation have been recognized by the European Commission and Switzerland for unprocessed plant products as equivalent to their country standards. With these recognitions, Indian organic products duly certified by the accredited certification bodies of India are accepted by the importing countries.

117. Solution: (c)

Exp) Option c is the correct answer.

The Kisan Credit Card (KCC) scheme aims to provide farmers with timely and adequate credit to fulfill their various financial needs. It facilitates easy access to institutional credit, ensuring both the financial stability of farmers and the enhancement of agricultural productivity. The scheme supports a wide range of activities related to agriculture and allied sectors.

Option 1 is correct: The **Kisan Credit Card (KCC)** scheme provides financial support for both **cultivation** and **post-harvest activities**, ensuring that farmers have the necessary funds to cover the costs associated with growing and harvesting crops.

Option 2 is correct: The scheme supports **household consumption needs**, offering financial assistance to farmers and their families to meet essential expenses, thus reducing their reliance on informal and often exploitative lending sources.

Option 3 is correct: The KCC scheme offers working capital for farm assets, including essential equipment and infrastructure. Farmers can avail short term loans for the maintenance of their farm equipment such as machinery and tools.

118. Solution: (a)

Exp) Option a is the correct answer.

The Government implements Market Intervention Scheme (MIS) to ensure fair prices for farmers cultivating perishable horticultural crops. It aims to protect the growers from making distress sales. **The scheme is implemented at the request of a State/UT government which is ready to bear 50 percent of the loss** (25 percent in case of North-Eastern States) incurred on its implementation. Under the scheme, a pre-determined quantity at the fixed Market Intervention Price (MIP) is procured by the agencies designated by the State Government for a fixed period or till the prices are stabilized above the MIP whichever is earlier.

Statement 1 is correct. Market Intervention Scheme (MIS) is a component of the Pradhan Mantri Annadata Aay SanraksHan Abhiyan (PM-AASHA). The Integrated scheme of PM AASHA has Price Support Scheme (PSS), Price Deficiency Payment Scheme (PDPS) & Market intervention Scheme (MIS) as its components.

Statement 2 is incorrect. Market Intervention Scheme (MIS) is meant for perishable agriculture/horticulture commodities like fruits and vegetables (not specifically Cereals and Oilseeds). The Market Intervention Scheme (MIS) covers the perishable commodities which are not covered under the Minimum price support scheme.

Price Deficiency Payment Scheme (PDPS) is meant for Oilseeds. This scheme aims at ensuring remunerative prices to the producers of Oilseeds whose MSP are notified by the Government. PDPS envisages the direct payment of the price difference between the MSP and the selling / modal price in the notified market.

Statement 3 is correct. Market Intervention Scheme (MIS) is **implemented upon request from State or Union Territory governments** when market prices fall by at least 10% compared to the average prices of the previous normal season.

Important Tips

Under MIS, in place of physical procurement, states may have an option to make a differential payment between Market Intervention price and selling price.

Under MIS for TOP crops (Tomato, Onion, Potato), the Government bears the transportation and storage expenses for the operations undertaken by Central Nodal Agencies like NAFED and NCCF from producing states to consuming states.

119. Solution: (a)

Exp) Option a is the correct answer.

The National Food Security Act of 2013 entitled 75% of the rural population and 50% of the urban population to receive highly subsidised foodgrains under two categories of beneficiaries — Antodaya Anna Yojana households, and Priority households.

The NFSA provides a legal right to persons belonging to "eligible households" to receive foodgrains at subsidised price– rice at Rs 3/kg, wheat at Rs 2/kg and coarse grain at Rs 1/kg.

Statement 1 is incorrect. Under sub-section (1) of Section 3 of the Act, the term "eligible households" comprises two categories — "priority households", and families covered by the Antyodaya Anna Yojana (AAY).

- Priority households are entitled to receive 5 kg of foodgrains per person per month
- **AAY households are entitled to 35 kg per month at the same prices.**

Statement 2 is correct. State/UT-wise coverage is determined by the Central Government on the basis of 2011-12 Household Consumption Expenditure survey of NSSO. **Identification of beneficiaries/households under NFSA is done by the respective State/UT Government,** which is required to frame its own criteria.

Statement 3 is incorrect. The National Food Security Act, 2013 (NFSA) provides for maternity benefit of not less than Rs.6,000, in such instalments as may be prescribed by the Central Government to every Pregnant Women and Lactating Mothers (PW&LM) **during the period of pregnancy (not in each trimester of pregnancy), except those who are in regular employment with the Central Government or State Government or Public Sector Undertaking or those who are in receipt of similar benefits under any law for the time being in force.**

Under PMMVY, maternity benefit of ₹ 5,000/- is provided in three installments to eligible Pregnant Women and Lactating Mothers (PW&LM) during the period of pregnancy and lactation. The eligible beneficiary also receives the remaining cash incentive as per approved norms towards maternity benefit under Janani Suraksha Yojana (JSY) after institutional delivery so that on an average, a woman gets ₹ 6,000/-.

120. Solution: (c)

Exp) Option c is the correct answer.

The Food Corporation of India (FCI) is a statutory corporation set up under the Ministry of Consumer Affairs, Food and Public Distribution. It was set up under the Food Corporations Act of 1964.

Option 1 is incorrect. The negotiable warehouse receipt (NWR) allows the transfer of ownership of a commodity stored in a warehouse without having to deliver it physically. These receipts are issued in negotiable form, making them eligible as collateral. **The Warehousing Development and Regulatory Authority (WDRA) regulates the entire operation under NWR.**

Option 2 is correct. The functions of FCI primarily include Purchase, Storage, Movement, Distribution and Sale of

foodgrains on behalf of the Government of India. FCI delivers food grains to State Governments and agencies from its base depots for distribution through Fair Price Shops.

FCI has been set up in order to fulfill following objectives of the Food Policy:

- Effective price support operations for safeguarding the interests of the farmers.
- **Distribution/Allocation of foodgrains throughout the country for the public distribution system.**
- Maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure National Food Security.

Option 3 is correct. FCI meets the requirements of the National Food Security Act by procuring grains that are issued at the Central Issue Price, set by the Government.

Option 4 is correct. Open Market Sale Scheme (Domestic) [OMSS (D)] refers to selling of food grains by Food Corporation of India (FCI) at predetermined prices in the open market. This is done through e-auctions, allowing traders, bulk consumers, and retail chains to purchase these surplus stocks. FCI utilizes the OMSS (D) to achieve following objectives:

- To enhance the supply of food grains during the lean season and deficit regions
- To moderate the open market prices
- To offload the excess stocks
- To reduce the carrying cost of food grains

121. Solution: (b)

Exp) Option b is the correct answer.

The World Trade Organization's (WTO) Agreement on Agriculture (AoA), was implemented to reduce agricultural subsidies and establish fairer trade systems.

Options 1 and 2 are correct and 3 and 4 are incorrect: The AoA **covers agricultural products and excludes forestry, fisheries, and fibres like jute and coir.**

The Agreement defines in its Annex 1 agricultural products such as wheat, milk and live animals, and the products derived from them such as bread, butter and meat, as well as all processed agricultural products such as chocolate and sausages. The coverage also includes wines, spirits and tobacco products, fibres such as cotton, wool and silk, and raw animal skins destined for leather production. Fish and fish products are not included, nor are forestry products.

122. Solution: (a)

Exp) Option a is the correct answer.

The Union Cabinet has recently approved the Clean Plant Programme (CPP) proposed by the Ministry of Agriculture and Farmers Welfare. The CPP will **provide access to virus-free, high-quality planting material, leading to increased crop yields and improved income opportunities.** It will prioritize affordable access to clean plant material for all farmers, regardless of their landholding size or socioeconomic status. The initiative will ensure that consumers benefit from superior produce that is free from viruses, enhancing the taste, appearance, and nutritional value of fruits.

123. Solution: (d)

Exp) Option d is the correct answer.

Priority Sector Lending (PSL), mandated by the Reserve Bank of India (RBI) under the Banking Regulation Act, requires banks to allocate 40% of their total credit to priority sectors. This includes agriculture, micro, small and medium enterprises (MSMEs), education, housing, renewable energy, and other key areas. A significant portion of this lending is directed towards agriculture, promoting financial inclusion and supporting rural development.

Option 1 is correct: Loans to small and marginal farmers for purchase of land for agricultural purposes comes under the category of Priority Sector Lending.

Option 2 is correct: Loans to distressed farmers for repaying debts from non-institutional lenders qualify under Priority Sector Lending (PSL), facilitating their shift from high-interest informal credit to institutional financing.

Option 3 is correct: Loans under the Kisan Credit Card Scheme also considered as part of Priority Sector Lending (PSL).

Option 4 is correct: Agri-Business Centres are established by trained agriculture professionals. These ventures may involve in the maintenance and custom hiring of farm equipment, sale of inputs in agriculture and allied areas, post-harvest management and entrepreneurship development. **Loans for setting up Agribusiness Centres are considered as part of PSL.**

124. Solution: (b)

Exp) Option b is the correct answer.

Minimum Support Price (MSP) and Fair and Remunerative Price (FRP) are a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices of their produce.

Statement 1 is correct. MSP and FRP both are recommended by Commission for Agricultural Costs and Prices (CACP) and fixed by Union government (Cabinet Committee on Economic Affairs (CCEA)).

Statement 2 is correct. Under MSP, the government commits to buying the crops at MSP if market prices fall below it. But there is **no legal or statutory guarantee for it.** While under FRP there is a **legal obligation** for sugar mills to pay FRP to sugarcane farmers as it is backed by **Sugarcane Control Order (1966).**

Statement 3 is incorrect. Although both are announced by government, Government procures only under MSP, while under FRP sugar mills and not government, must legally pay this price to the sugarcane farmers for procurement.

Important Tips

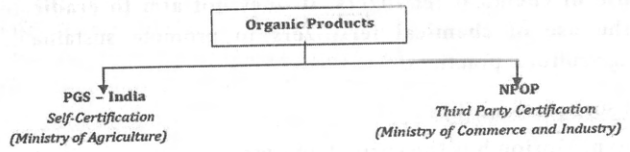
1. **Cabinet Committee on Economic Affairs (CCEA) members:** The Prime Minister, the Defence Minister, the Home Minister, the Finance Minister, the Minister of Agriculture and Farmers Welfare and some other senior ministers.

2. **Commission for Agricultural Costs and Prices (CACP) members.** It comprises a Chairman, a Member Secretary, one Member (Official) and two Members (Non-Official). The non-official members are representatives of the farming community and usually have an active association with the farming community.
3. **Basis of MSP calculation**
   a. Demand and supply.
   b. Cost of production.
   c. Market price trends (Domestic and international).
   d. Inter-crop price parity.
   e. Terms of trade.
   f. 50% margin over the cost of production.
   g. implications on consumers.
4. **Basis of FRP Calculation**
   a. Various factors like cost of production of sugarcane, recovery of sugar from sugarcane, price at which sugar is sold, profit from sale of sugar by-products like molasses, bagasse and press mud, margin for sugarcane growers, return to sugarcane growers from alternative crops, are considered in the FRP..
   b. Sugar recovery is the ratio between sugar produced versus cane crushed, expressed as a percentage.
   c. The higher the recovery, the higher the FRP, and the higher the sugar produced from the cane.

125. Solution: (a)

Exp) Option a is the correct answer.

Food Safety and Standards Authority of India (FSSAI) regulates organic foods in India. FSSAI in Nov 2017 published regulations on organic food which regulates manufacture, sale, distribution and import of organic food in India. As a consequence, any food to be sold as 'organic' in India will have to be certified under either of the two prevailing systems.



Statement 1 is incorrect. PGS-India is a decentralized organic farming certification system **under Ministry of Agriculture and farmer welfare** and not under Ministry of Commerce and Industry.

Statement 2 is incorrect. PGS is a participatory approach, wherein farmers living in similar geographical area or in close vicinity inspect and verify each other's process and confirms the adoption of PGS standards. Third party certification (TPC) system is based on verification of process by an independent third party. PGS being participatory does not require any third party and is low cost, while third party certification is cost intensive, targeted for processed products export and is generally unaffordable by small and marginal farmers.

Statement 3 is correct. PGS-India certification program is applicable for local and domestic market. **PGS certified products cannot be exported to other countries as organic but can be exported as conventional to get premium price if available.**

126. Solution: (a)

Exp) Option a is the correct answer.

Pradhan Mantri Kisan Samridhi Kendras (PM-KSK) is a **pioneering effort** to **enhance agricultural productivity** and **ensure farmers' prosperity**. By providing quality agricultural inputs, testing facilities, and crucial advisory services under one roof, PM-KSK aims to **address critical agricultural challenges** and **promote sustainable farming practices.**

Statement 1 is correct: Pradhan Mantri Kisan Samridhi Kendras aims to **convert existing fertilizer retail shops** into Model Fertilizer Retail Shops, which will be "**One Stop Shop**" for all agriculture-related inputs and services, offering a **comprehensive solution** for farmers' needs. It will cater to the needs of the farmers in the country and provide agri-inputs (fertilizers, seeds, implements) including testing facilities for soil, seeds and fertilizers. These Kendras will also help create awareness among the farmers.

Statement 2 is incorrect: PMKSK **can sell all kinds of Quality Fertilizers** such as Nitrogenous/phosphatic/potassic fertilizers, secondary and micro-nutrients, water soluble fertilizers, Alternative, Bio and Organic.

Statement 3 is incorrect: The **Pradhan Mantri Kisan Samridhi Kendras (PMKSKs) is an initiative of the Department of Fertilizers**, under the **Ministry of Chemicals and Fertilizers. The PMKSK scheme** was **launched in August 2022**, and the Department of Fertilizers plans to establish 3.3 lakh PMKSKs across the country.

127. Solution: (a)

Exp) Option a is the correct answer.

The Rubber Board is a government organization that promotes and develops the rubber industry in India. They provide technical, financial, and promotional support to rubber farmers, manufacturers, and traders/exporters.

Statement 1 is correct: The Rubber Board is a **statutory body constituted by the Government of India, under the Rubber Act 1947,** for the overall development of the rubber industry in the country.

Statement 2 is incorrect: The Rubber Board operates under the **administrative control of the Ministry of Commerce and Industry.** Its primary focus is on the rubber industry, which includes the cultivation, production, and export of rubber.

Statement 3 is correct: As per the Rubber Act, 1947, It shall be lawful for the Board with the previous approval of the Central Government to import rubber for sale, or to

purchase rubber, in the internal market at such prices as the Central Government may fix.

128. Solution: (d)

Exp) Option d is the correct answer.

The **Department of Land Resources (DoLR)** under the Ministry of Rural Development has made significant achievements in its objectives, primarily through the implementation of the **Digital India Land Records Modernization Programme (DILRMP).** The objective is to develop a modern, comprehensive, and transparent land record management system. Recently, the program has been extended for five more years (2021-2026), with additional components like the integration of Aadhaar numbers with land records and computerization of revenue courts.

Statement 1 is correct: As part of the DILRMP, a 14-digit Unique Land Parcel Identification Number (ULPIN) will be generated which will contain the ownership details of the plot. Through this initiative, the program aims to **standardize land parcel identification**, thereby facilitating various processes such as real estate transactions, resolving property disputes, and aiding disaster planning and response efforts. Moreover, the ULPIN **adheres to international standards such as the Electronic Commerce Code Management Association (ECCMA) and Open Geospatial Consortium (OGC),** ensuring compatibility and interoperability.

Statement 2 is correct: Transliteration of land records from local languages to any of the 22 languages enlisted in Schedule VIII of the Indian Constitution is integral to the DLRMP's objectives. This initiative acknowledges the diverse linguistic landscape of India and seeks to **bridge language barriers** hindering access to land-related information. By enabling transliteration, the program enhances the comprehensibility and accessibility of land records for a wider audience, fostering transparency and inclusivity in land governance practices.

Statement 3 is correct: The DLRMP includes the implementation of a **'One Nation One Registration System,'** commonly known as the **National Generic Document Registration System (NGDRS).** This system aims to establish a standardized and uniform process for the registration of deeds and documents throughout the country. NGDRS also empowers states to configure the software as per their specific requirements, ensuring adaptability and scalability across diverse administrative contexts.

Important Tips

Other key points regarding DILRMP

1. **Aadhaar numbers are integrated with the land record database**, enhancing authentication and enabling secure access to land-related information.
2. **Computerization of revenue courts** and their integration with land records, facilitating streamlined judicial processes.
3. **Modern record rooms are established at tehsil levels** to store and manage land records digitally.
4. **State-level data centers** are established to store and manage land-related data.

Key Statistics:

1. **Computerization of Land Records: 95.08%** Record of Rights (RoR) completed.
2. **Digitization of Cadastral Maps: 68.02%** completed.
3. **Computerization of Registration: 94.95%** completed.
4. 168 districts in 16 States achieved **Platinum Grading by completing 99% and above work** in key DLRMP components.

129. Solution: (a)

Exp) Option a is the correct answer.

National Mission for Sustainable Agriculture (NMSA) has been formulated for enhancing agricultural productivity especially in rainfed areas focusing on integrated farming, water use efficiency, soil health management and synergizing resource conservation. NMSA derives its mandate from Sustainable Agriculture Mission which is one of the eight Missions outlined under National Action Plan on Climate Change (NAPCC).

Option a is correct: Promoting soil health through soil fertility maps aligns with NMSA's core objectives of **promoting sustainable practices and improving soil health**. Creating maps based on macro and micro-nutrient composition helps farmers **apply fertilizers more judiciously**, minimizing over-reliance on chemicals and optimizing soil health.

Option b is incorrect: While **NMSA encourages efficient irrigation techniques,** it does **not aim to implement small hydro power projects in remote areas** to achieve dual goals of environmental conservation and enhanced farmer income.

Option c is incorrect: While NMSA aims to promote soil health management through practices like **organic farming and residue management,** it does **not intend to make at least one city** in each state **fully adopt organic farming by 2030.**

Option d is incorrect: NMSA aims to **ensure the judicious use of chemical fertilizers, it does not aim to eradicate the use of chemical fertilizers** to promote sustainable agricultural practices.

130. Solution: (b)

Exp) Option b is the correct answer.

National Agriculture Market (e-NAM) is a pan-India electronic trading portal which networks the existing Agricultural Produce Market Committees (APMCs) mandis to create a unified national market for agricultural commodities. It aims to promote uniformity in agricultural marketing by simplifying procedures across integrated markets. It aims to eliminate information asymmetry between buyers and sellers while encouraging real-time price discovery based on actual demand and supply in the market.

Statement 1 is correct: The National Agriculture Market (eNAM) is a pan-India electronic trading portal that networks

the existing Agricultural Produce Market Committees (APMC) mandis to create a unified national market for agricultural commodities. Its objective is to integrate markets first at the level of the States and eventually across the country through a common online market platform, to facilitate pan-India trade in agricultural commodities.

Statement 2 is correct: The Small Farmers Agribusiness Consortium **(SFAC) is the lead agency responsible for implementing e-NAM** under the Ministry of Agriculture & Farmers Welfare. SFAC operates and maintains the e-NAM platform with the help of a Strategic Partner, presently Nagarjuna Fertilizers and Chemicals Limited (NFCL).

Statement 3 is incorrect: At present, the major crops which are traded on e-NAM platform by farmers are paddy, wheat, cotton, chilli, soyabeans, maize, potato, chana, tomato, groundnut, mustard seeds, gaur seeds, onion, turmeric, arhar (tur/ red gram), bajra, moong whole (green gram), castor seed, lentil (masur), sweet lemon etc.

131. Solution: (a)

Exp) Option a is the correct answer.

The Nutrient-Based Subsidy (NBS) policy aims to provide Phosphatic and Potassic **(P&K) fertilizers to farmers at subsidized rates and to promote a balanced use of fertilizers.** The government is making 25 grades of P&K fertilizers available to farmers at subsidized prices through fertilizer manufacturers/importers. The subsidy on P&K fertilizers is governed by NBS Scheme since 01.04.2010. In accordance with its farmer friendly approach, the Government is committed to ensure the availability of P&K fertilizers to the farmers at affordable prices. This strategy is designed to enhance soil health, leading to increased crop yields and ultimately boosting income for farmers.

Statement 1 is correct: The NBS scheme offers **different subsidy rates based on the nutrient composition of different fertilizers.** It provides subsidies based on the content of nitrogen (N), phosphorus (P), potassium (K), and Sulphur (S) to encourage balanced use and avoid over-reliance on specific nutrients.

Statement 2 is incorrect: The NBS scheme explicitly includes fertilizers fortified with **secondary (other than Sulphur (S)) and micronutrients** in its calculations. In fact, **additional subsidies are provided for fortified fertilizers** containing micronutrients like **Boron, Molybdenum and Zinc** to incentivize their use.

Statement 3 is incorrect: The **Department of Fertilizers under the Ministry of Chemicals & Fertilizers** is responsible for implementing the NBS scheme. Therefore, the scheme being implemented by the Department of Agriculture and Farmers Welfare is incorrect.

132. Solution: (d)

Exp) Option d is the correct answer.

Krishi Vigyan Kendras (KVKs) are agricultural extension centers in India that provide vocational training, technology dissemination, and farm support to farmers, school dropouts, and field level extension functionaries. The KVK scheme is 100% financed by Govt. of India and the KVKs are sanctioned to Agricultural Universities, ICAR institutes, related Government Departments and Non-Government Organizations (NGOs) working in Agriculture.

Statements 1 and 2 are correct: Krishi Vigyan Kendras (KVKs) are an integral part of the National Agricultural Research System (NARS) and they aim at assessment of location specific technology modules in agriculture and allied enterprises, through technology assessment, refinement and demonstrations. KVKs have been functioning as Knowledge and Resource Centre of agricultural technology supporting initiatives of public, private and voluntary sector for improving the agricultural economy of the district and are linking the NARS with extension system and farmers.

Statement 3 is correct: KVKs produce quality technological products (seed, planting material, bio-agents, livestock) and make it available to farmers. They also organize frontline extension activities, identify and document selected farm innovations and converge with ongoing schemes and programs within the mandate of KVK.

133. Solution: (a)

Exp) Option a is the correct answer.

The **National Agricultural Cooperative Marketing Federation of India (NAFED)** is an organization that promotes and develops the marketing, processing, and storage of agricultural, horticultural, and forest produce. NAFED also distributes agricultural machinery, implements, and other inputs, and underpins inter-state, import, and export trade.

Statement 1 is correct. National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) is **registered under the Multi State Co-operative Societies Act, 2002.**

Statement 2 is incorrect. Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM under the aegis of Ministry of Agriculture and Farmers' Welfare, Government of India.

134. Solution: (a)

Exp) Option a is the correct answer.

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) is a Central Sector Scheme implemented by the Agriculture Ministry in which all farmers, irrespective of farm size, will get up to Rs 6,000 per year as minimum income support. The scheme was launched on 1st December 2018 and has been operational since then. The beneficiaries receive the money in three equal installments of Rs. 2,000 every four months.

Statement 1 is incorrect: In the beginning when the PM-Kisan Scheme was launched on 24 February 2019, its benefits were admissible only to Small & Marginal Farmers' (MSF) families, with combined landholding up to 2 hectares. The Scheme was later on revised w.e.f. 1 June.2019 and extended to all farmer families irrespective of the size of their landholdings.

Statement 2 is incorrect: The Census Commissioner of India is not responsible for identifying the eligible farmers' families

for benefit under the scheme. The entire responsibility of the beneficiary farmer family's identification rests with the **State Governments or Union Territory Governments.**

Statement 3 is correct: It is true that the Farmer families in which one or more of its members has paid income tax in the last assessment year, are not eligible to get the benefits of PM-Kisan scheme.

135. Solution: (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: Mission for Integrated Development of Horticulture (MIDH) is Centrally Sponsored Scheme (not a Central Sector Scheme), wherein the implementing agencies are State Horticulture Mission (SHM). In the total outlay of SHM, center contributes 60% for general States and 90% for NE and Himalayan States whereas general States contribute 40 % and NE and Himalayan States contribute 10%.

Statement 2 is correct: Mission for Integrated Development of Horticulture's (MIDH's) main objective is to promote holistic growth of the horticulture sector covering fruits, vegetables, root and tuber crops, mushrooms, spices, flowers, aromatic plants, cashew, cocoa, **including coconut as well.** The responsibility to implement MIDH in all those states where coconut is grown, has been given to **Coconut Development Board of India.**

Statement 3 is incorrect: MIDH is not a sub-scheme of National Horticulture Mission (NHM), but rather **National Horticulture Mission (NHM) is the sub-scheme under MIDH.**

Apart from NHM, MIDH has four more sub-schemes under it:

1. Horticulture Mission for Northeast & Himalayan States (HMNEH)
2. National Horticulture Board (NHB)
3. Coconut Development Board (CDB)
4. Central Institute for Horticulture (CIH), Nagaland.

Important Tips

Coconut Development Board Of India: It is a statutory body established under the Ministry of Agriculture and Farmers Welfare, in 1981. Its main objective is to ensure integrated development of coconut cultivation and industry in the country with a focus on productivity increase and product diversification.

136. Solution: (d)

Exp) Option d is the correct answer.

The correct sequence is 4-2-3-1.

Option 4. Establishment of Regional Rural Banks (RRBs) (1975): The RRBs were established in 1975 by an ordinance, which culminated into RRB Act,1976, on the recommendations of Narasimham Committee. They were formed with an objective to provide banking services and institutional credit in the rural areas, particularly to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs.

Option 2. Establishment of National Bank for Agriculture and Rural Development (NABARD) (1982): NABARD was established on 12 July 1982, on the recommendation of B. Sivaraman committee. Its mission is to promote sustainable and equitable agriculture and rural development, and its major functions include refinancing, financing, planning, monitoring and supervision.

Option 3. First ever nationwide loan waiver (1990): Since Independence, only two times Nationwide loan waiver has been granted in India.

The **first major nationwide loan waiver was given to farmers in 1990**, whose cost to National exchequer was of around 10,000 crores. It provided blanket relief to all farmers up to a certain loan amount.

The **second nationwide loan waiver was implemented in 2008**, amounting to 52,000 crores, and was also for the farmers. It didn't provide a blanket relief to all farmers, but rather a waived loan for certain classes of cultivators only.

Option 1. Introduction of Kisan Credit Cards (KCC) (1998): The KCC scheme **was introduced in August 1998,** with the objective of providing term loans for the agricultural needs of the farmers. The KCC is available at **commercial banks, regional rural banks and the co-operative banks.** The Kisan Credit Card scheme aims at providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs like; to meet the short term credit requirements for cultivation of crops, **Post-harvest expenses, Produce marketing loan, Consumption requirements of farmer household, Working capital for maintenance of farm assets and activities allied to agriculture, Investment credit requirement for agriculture and allied activities.**

137. Solution: (b)

Exp) Option b is the correct answer.

Statement 1 is correct: The Price Stabilization Fund (PSF) was established in 2014-15, under Department of Agriculture, Cooperation & Famers Welfare (DAC&FW), which works under Ministry of Agriculture and Farmers Welfare. **But later in 2016, it was transferred from DAC&FW to the Department of Consumer Affairs (DOCA), which is under the Ministry of Consumer Affairs, Food and Public Distribution and currently works under this ministry.**

Statement 2 is correct: The main purpose of establishing Price Stabilization fund was to regulate the price volatility of essential Agri-horticultural commodities like onions, potato and pulses. The scheme includes provisions for maintaining a strategic buffer of essential commodities and aims to discourage hoarding and unscrupulous speculation.

Statement 3 is incorrect: There is **no provision to provide Interest free loans directly to the farmers under Price Stabilization Fund (PSF).** However, PSF is utilized for providing **advances of interest free loans to Central**

Agencies, State/UT Governments/Agencies to undertake market intervention operations.

Important Tips

PRICE STABILIZAITION FUND MANAGEMENT COMMITTEE: It is responsible for managing PSF at central level. It approves and reviews proposals from State Governments and Central agencies regarding procurement and distribution of commodities.

Small Farmers Agribusiness Consortium (SFAC): It acts as the fund manager for the PSF as a central corpus fund. It is a society promoted by the Ministry of Agriculture for linking agriculture to private enterprises, investment, and technology.

138. Solution: (c)

Exp) Option c is the correct answer.

Food Corporation of India procures the food grains like wheat and paddy from the farmers at Minimum Support Price. From the central pool, the government has to set aside wheat and rice for the beneficiaries of free foodgrains under the National Food Security Act (NFSA), maintain a buffer stock, and have a marketable surplus. The surplus food grains are sold through Open Market Sales Scheme time to time.

Statement 1 is incorrect: Under the Open Market Sale Scheme, the FCI from time to time sells surplus food grains from the central pool especially wheat and rice in the open market to traders, bulk consumers, retail chains and so on at **pre-determined prices (not on open market price) which are generally lower than market prices.** The **price is fixed by the Ministry of Consumer Affairs, Food & Public Distribution.**

Statement 2 is correct: Under the Scheme, Govt. of India through Food Corporation of India (FCI), offers wheat to Processors / Atta Chalki / Flour Millers of Wheat Products only (Traders / Bulk Buyers are not allowed) through e-auction. **An eligible bidder can bid for a minimum quantity of 10 MT to maximum of 100 MT in case of wheat. In the case of rice, traders are eligible and can bid a minimum quantity of 10 MT and maximum quantity of 1000 MTs. Hence there is a maximum limit imposed on quantity of** grains allocated to buyers under the scheme.

Statement 3 is correct: The OMSS aims to enhance the supply of food grains (ensuring food security) during the lean season and thereby moderate the open market prices (controlling inflation), especially in the deficit regions.

139. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: The Electronic Negotiable Warehouse Receipt **(e-NWR) is a digital proof of ownership for commodities stored in WDRA-registered warehouses, offering enhanced security and ease of transfer.** Developed in 2014-15, the IT-based platform aimed to register and monitor warehouses and establish repositories for issuing e-NWRs, officially launched in 2018, signifying a pivotal move towards digitizing India's agricultural supply chain.

Statement 2 is correct: All e-NWRs can be traded through both off-market and on-market commodity exchange platforms:

1. **On-Market Platforms:** Recognized commodity exchanges in India, like NCDEX or MCX, allow trading of e-NWRs. This provides a transparent and efficient platform for farmers and other stakeholders to buy and sell e-NWRs based on market prices.
2. **Off-Market Transactions:** e-NWRs can also be traded directly between buyers and sellers through bilateral agreements. This might be suitable for local transactions or specific deals outside the exchange framework.

Statement 3 is correct: While e-NWRs are not typically auctioned, however it can be auctioned under specific circumstances:

1. **Loan Default: If a borrower defaults on a loan secured by e-NWRs, the lender (usually a financial institution) may auction the e-NWRs to recover the outstanding amount.**
2. Non-Taking of Delivery: If the holder of an e-NWR does not take physical delivery of the stored commodity upon maturity, the warehouse may auction the e-NWR.
3. **Quality Issues**: If there is a risk of damage, spoilage, or deterioration of the commodity, the warehouse may auction the e-NWR to mitigate losses.

Important Tips

The **Warehousing Development and Regulatory Authority (WDRA)** is a statutory body established under the **Warehousing (Development & Regulation) Act, 2007** in India. Its primary role is to regulate and oversee the functioning of warehouses and related activities.

WDRA plays a crucial role in the entire e-NWR ecosystem:

1. **Regulation:** WDRA sets the standards and guidelines for warehouses that can issue e-NWRs. This ensures proper storage facilities, handling procedures, and record-keeping for the commodities.
2. **Issuance:** WDRA oversees the process of issuing e-NWRs. When a farmer deposits their produce in a registered warehouse, the warehouse issues an e-NWR electronically through a WDRA-approved system. This ensures the authenticity and validity of the e-NWR.
3. **Dispute Resolution:** WDRA acts as a regulatory body in case of any disputes arising between the depositor (e.g., farmer), warehouse operator, or financiers regarding the e-NWR

140. Solution: (b)

Exp) Option b is the correct answer.

Option b is correct: Union Tribal Affairs Minister has e-launched the tertiary processing Centre of **"Trifood Project"**.

Trifood Project is an initiative of the Ministry of Tribal Affairs in association with the Ministry of Food Processing

(MoFPI). It aims to **enhance the income of tribals through better utilization of and value addition to the Minor Forest Produce (MFP) collected by the tribal forest gatherers.** The units are envisaged to be professionally operated by reputed food processors who will operate the facilities for a designated period of time under the overall administrative control of Tribal Cooperative Marketing Development Federation of India **(TRIFED).**

Under this scheme a tertiary value addition center will be set up in Jagdalpur in Chhattisgarh and Raigad in Maharashtra at a cost of approximately Rs.11 crores.

Important Tips

Minor Forest Produce (MFP): The Scheduled Tribes and Other Traditional Forest Dwellers Act,2006 defines minor forest produce as all non-timber forest produce of plant origin. It includes bamboo, brushwood, stumps, canes, cocoon, honey, waxes, Lac, tendu leaves, medicinal plants, roots among others.

TRIFED: It was established in 1987 to provide a good price to the products made or collected from the forest by the tribal people. It functions under the administrative control of the Ministry of Tribal affairs.

141. Solution: (d)

Exp) Option d is the correct answer.

The Pradhan Mantri Fasal Bima Yojana (PMFBY) is a flagship crop insurance scheme launched by the Government of India in 2016-17 to provide financial protection to farmers against crop losses due to unforeseen events.

Option a is correct: State governments have the authority to offer insurance coverage to farmers for losses caused by wildlife attacks under PMFBY. Additionally, they can provide insurance coverage to crops, protecting against losses during sowing, planting, or germination due to deficit rainfall or adverse seasonal/weather conditions.

Option b is correct: The PMFBY covers a wide range of **food crops (Cereals, Millets and Pulses), Oilseeds and annual Commercial / Annual Horticultural crops** as listed in the notification issued by the Union Ministry of Agriculture and Farmers Welfare.

Option c is correct: PMFBY has expanded its coverage to include post-harvest losses, but within a specific time frame (14 days). after harvest. This coverage extends for two weeks from harvesting, specifically for crops that need to be dried in a cut and spread/small, bundled condition in the field. The coverage addresses specific disasters such as **Hailstorm, Cyclone, Cyclonic rains, and Unseasonal rains** during this post-harvest window.

Option d is incorrect: Starting from the Kharif season of 2020, the scheme has been extended to all farmers on a voluntary basis. Prior to the Kharif season of 2020, enrollment in this scheme was mandatory for farmers obtaining crop loans for specific crops in designated areas and voluntary only for non-loanee farmers i.e. farmers who do not obtain any loans for specific crops in designated areas.

142. Solution: (c)

Exp) Option c is the correct answer.

The Government of India has launched several schemes for effective water management, irrigation and agriculture.

Statement 1 is incorrect: Drought Prone Areas Programme (DPAP) is the **"earliest area development programme"** launched by the Central Government in 1973-74 to tackle the special problems faced by those fragile areas which are constantly affected by severe drought conditions. The basic objective of the programme is to minimize the adverse effects of drought on production of crops and livestock and productivity of land, water and human resources ultimately **leading to drought proofing of the affected areas.** There is **no provision of crop and livestock insurance** in the scheme.

Statement 2 is correct: Rainfed Area Development Programme (RADP) was launched in the year 2011-12 as a sub-scheme under Rashtriya Krishi Vikas Yojana (RKVY). It **aims at improving quality of life of farmers' especially, small and marginal farmers by offering a complete package of activities to maximize farm returns.** RADP focuses on Integrated Farming System (IFS) for enhancing agricultural productivity and minimizing risks associated with climatic variabilities.

Statement 3 is correct: The **goal of Atal Bhujal Yojana (Atal Jal) is to demonstrate community-led sustainable ground water management which can be taken to scale.** The Scheme's main objective is to improve groundwater management in select water-stressed areas in identified states viz. Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh.

Statement 4 is correct: The Integrated Watershed Management Programme (IWMP) is the new and unified approach of the government **for treatment and development of the new generation watersheds in a realistic and holistic manner.** The main aims of this programme are as follows:

- To restore the ecological balance by harnessing, conserving and developing degraded natural resources such as soil, vegetative cover and water.
- The outcomes are prevention of soil run-off, soil loss.

Regeneration of natural vegetation.

- Rain water harvesting and recharging of the ground Water table.
- Enabling multi-cropping and the introduction of diverse agro-based activities, which help to provide sustainable livelihoods to the people residing in the watershed area.

143. Solution: (d)

Exp) Option d is the correct answer.

Statements 1 and 2 are correct. A Memorandum of Understanding (MoU) was signed between the **Ministry of Agriculture and the Department of Space** to develop the Krishi-Decision Support System (Krishi-DSS) using satellite data. **This will enhance the evidence-based decision-making capability of all the stakeholders in the agriculture sector.**

Statement 3 is correct. It provides information to the stakeholder **by way of integration with MOSDAC and BHUVAN (Geo-platform)** and ICAR systems.

BHUVAN: The Indian Space Research Organisation (ISRO) developed the Geoportal platform known as BHUVAN, which in Sanskrit means "earth," and it was launched in 2009. It is widely known for its collaboration with the Indian government to facilitate the the use of geospatial technology.

MOSDAC (Meteorological and Oceanographic Satellite Data Archival Centre): It serves as a data repository for ISRO and Indian government missions that deal with meteorology, oceanography, and tropical water cycles. Through the MOSDAC website, the Space Applications Centre (SAC), Ahmedabad disseminates mission data in close to real-time.

144. Solution: (a)

Exp) Option a is the correct answer

Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices.

Statement 1 is incorrect: The **minimum support prices are announced by the Government of India at the beginning of the sowing season** for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP). **MSP price is fixed by Government of India** to protect the producer - farmers - against excessive fall in price during bumper production years

Statements 2 and 3 are correct: In formulating the recommendations in respect of the level of minimum support prices and other non-price measures, the CACP takes into account, apart from a comprehensive view of the entire structure of the economy of a particular commodity or group of commodities, the following factors:-

- Cost of production
- Changes in input prices
- Input-output price parity
- Trends in market prices
- Demand and supply
- **Inter-crop price parity**
- Effect on industrial cost structure
- **Effect on cost of living**
- Effect on general price level
- International price situation
- Parity between prices paid and prices received by the farmers.
- Effect on issue prices and implications for subsidy

Statement 4 is incorrect: The **government is not mandated to provide MSP under the Essential Commodities Act (ECA), 1955.** There is no legislation behind the MSPs even though it has existed as policy for several decades.

145. Solution: (c)

Exp) Option c is the correct answer.

Statement 1 is incorrect: National Agriculture Market (eNAM) is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities. **Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM under the aegis of Ministry of Agriculture and Farmers' Welfare, Government of India.** Its vision is to promote uniformity in agriculture marketing by streamlining of procedures across the integrated markets, removing information asymmetry between buyers and sellers and promoting real time price discovery based on actual demand and supply.

Statement 2 is correct: One of the objectives of the e-NAM is **–Harmonisation of quality standards of agricultural produce and provision for assaying (quality testing) infrastructure in every market to enable informed bidding by buyers.** Common tradable parameters have so far been developed for 69 commodities.

Statement 3 is correct: e- NAM includes-

Liberal licensing of traders / buyers and commission agents by State authorities without any pre-condition of physical presence or possession of shop /premises in the market yard.

Single license issued by state governments for traders valid is across all markets in the State.

146. Solution: (c)

Exp) Option c is the correct answer.

The Peace Clause in the WTO Agreement on Agriculture allows developing countries to provide domestic agricultural subsidies that exceed the limits set by the Agreement. The Clause was introduced in 2014 as part of the Bali Package, which included commitments to eliminate export subsidies and improve market access for least developed countries.

Statement 1 is correct: The Peace Clause was indeed introduced in 2014 as part of the Bali Package, which was a set of decisions made at the 9th WTO Ministerial Conference in Bali, Indonesia. The Peace Clause provides protection to developing countries against any legal challenge to their food security programmes, which may breach the WTO's limits on agricultural subsidies, until a permanent solution to this issue is found.

Statement 2 is correct: The Peace clause allows developing countries to continue to provide subsidies to their agricultural sectors, even if they are trade-distorting, without facing legal challenges under WTO dispute settlement. The Peace Clause is in effect until a permanent solution is found for the issue of public stockholding for food security purposes.

Statement 3 is incorrect: India has invoked the Peace Clause for the third time in 2022, due to its subsidies for rice farmers exceeding the ceiling of 10% allowed under WTO rules. The first invocation was in 2020 for the year 2018-19 when the support offered to rice farmers was above the allowed limit. The second invocation was in 2021 when the support exceeded the ceiling again.

147. Solution: (b)

Exp) Option a is the correct answer.

PM-KUSUM (Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan) Scheme is aimed at ensuring energy security for farmers in India, along with honoring India's commitment to increase the share of installed capacity of electric power from non-fossil-fuel sources to 40% by 2030 as part of Intended Nationally Determined Contributions (INDCs).

Statement 1 is correct: PM KUSUM Scheme is a flagship scheme of the Ministry of New and Renewable Energy (MNRE). The scheme was launched in 2019 to promote the use of solar power among farmers.

Statement 2 is correct: The PM KUSUM Scheme aims to install 20 lakh standalone solar-powered agriculture pumps. The scheme also encourages the use of barren and uncultivable land for setting up solar power plants.

Statement 3 is incorrect: The central government provides financial assistance of 30% of the benchmark cost or the tender cost, whichever is lower, for the installation of solar pumps. The state government provides a subsidy of 30%. **The remaining 40% of the cost is borne by the farmer.** Northeastern States, Sikkim, Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Lakshadweep, and Andaman & Nicobar Islands, a higher financial assistance of 50% of the benchmark cost or the tender cost, whichever is lower, is provided for the installation of solar pumps. The state government provides a subsidy of 30%. The remaining 20% of the cost is borne by the farmer.

148. Solution: (b)

Exp) Option b is the correct answer.

The Union Budget has announced Rs 2,516 crore for computerization of 63,000 Primary Agricultural Credit Societies (PACS) over the next five years, with the aim of bringing greater transparency and accountability in their operations and enabling them to diversify their business and undertaking more activities.

Statement 1 is correct. PACS are registered under the Co-operative Societies Act of the respective state. PACS serve as the last link in a three-tier cooperative credit structure. Credit from the SCBs is transferred to the district central cooperative banks (DCCBs), that operate at the district level. The DCCBs work with PACS, which deal directly with farmers.

Statement 2 is incorrect. A village can have multiple PACS. In India there are about 99000 PACS and they have a member base of 13 crore. Since these are cooperative bodies, individual farmers are members of the PACS, and office-bearers are elected from within them.

Statement 3 is correct. PACS helps its members by providing marketing facilities that could enhance the sale of their agricultural products in the market at reasonable prices.

149. Solution: (b)

Exp) Option b is the correct answer.

Recognizing the importance of agriculture sector in the economy, the Department of Agriculture & Farmers Welfare has been implementing the Agriculture Census Scheme since 1970-71.

Statement 1 is incorrect. The **Department of Agriculture and Farmers Welfare**, Ministry of Agriculture & Farmers Welfare, Government of India conducts Agriculture Censuses in collaboration with the States and Union Territories.

Statement 2 is correct and statement 3 is incorrect. Agriculture Census in India is conducted at an interval of five years following broad guidelines of decennial World Census of Agriculture (WCA) evolved by Food and Agriculture Organization (FAO) of the United Nations. So far, ten Agriculture Censuses have been conducted in the country since 1970-71 and the current Agriculture Census with reference year 2021-22 is eleventh in the series. The Eleventh Agriculture Census (2021-22) was launched by the Hon'ble Union Minister of Agriculture and Farmers Welfare on 28th July 2022 in New Delhi.

150. Solution: (d)

Exp) Option d is the correct answer.

Due to the increased Tur dal prices, the Centre has recently invoked the Essential Commodities Act of 1955.

Statement 1 is incorrect: There is no specific definition of essential commodities in the Essential Commodities Act, 1955. Section 2(A) states that an "essential commodity" means a commodity specified in the Schedule of the Act. The Centre, if it is satisfied that it is necessary to do so in the public interest, can notify an item as essential, in consultation with state governments.

Statement 2 is incorrect: Not all essential commodities are covered under the stock limits and hoarding. For the purpose of terming a stock as hoarding the State Government has to issue stock limits orders under the EC Act. Any quantity of a commodity covered in the order kept in violation of that order is termed as hoarding. **If no stock limits are imposed**, there is no question of hoarding in that commodity.

Statement 3 is incorrect: The Essential Commodities Act 1955 enabled the state governments to impose stock limits and restrict movement of essential commodities. Whenever there are pressing reasons to arrest unfair price rise of any essential commodity, the Union Government empowers State Governments and Union Territories, by way of notifying orders under the EC Act, to decide stock limits and notify after approval of the Union Government.

151. Solution: (d)

Exp) Option d is the correct answer.

Statement 1 is correct: Fair and remunerative price (FRP) is the price declared by the government, which mills are legally bound to pay to farmers for the cane procured from them.

Statement 2 is correct: The FRP is based on the recovery of sugar from the cane. Sugar recovery is the ratio between sugar produced versus cane crushed, expressed

as a percentage. The higher the recovery, the higher is the FRP, and higher is the sugar produced. The FRP is directly proportional to the sugar recovery ratio.

Statement 3 is correct: The payment of FRP across the country is governed by The Sugarcane Control order, 1966 issued under the Essential Commodities Act, 1955. Mills have the option of signing an agreement with farmers, which would allow them to pay the FRP in installments.

Delays in payment can attract an interest up to 15 per cent per annum, and the sugar commissioner can recover unpaid FRP as dues in revenue recovery by attaching properties of the mills. Assured payment is one of the major reasons why cane is a popular crop with farmers.

152. Solution: (b)

Exp) Option b is the correct answer.

The Government of India sets the Minimum Support Price (MSP) for agricultural commodities, which is purchased directly from farmers. This rate ensures farmers receive a minimum profit for their produce if the open market price is lower than the cost incurred. The Ministry of Agriculture and Farmers Welfare's **Commission for Agricultural Costs and Prices (CACP) recommends the MSP**, which is **issued prior to the sowing season**.

Statement 1 is correct. Private buyers are not legally bound to purchase agricultural produce at the MSP set by the government. They are free to negotiate prices with farmers based on market demand, quality of produce, and other factors. Therefore, private buyers can indeed purchase agricultural produce below or even above the MSP if both parties agree to the terms.

Statement 2 is incorrect. The MSP is not legally enforceable in India. While the government announces MSPs for various crops to provide farmers with remunerative prices, there is no specific law that mandates private buyers or government to adhere to MSPs. Therefore, MSPs are not legally enforceable, and farmers may sometimes face challenges in getting MSPs for their produce.

Statement 3 is correct. The **procurement policy of the Government of India (GOI) for paddy and wheat is open-ended**, meaning that any quantity of these crops offered by farmers meeting specified criteria is purchased at Minimum Support Price (MSP).

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